



Annual Report 2005

Year Ended March 31, 2006

Nissan: Enriching People's Lives



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Vision

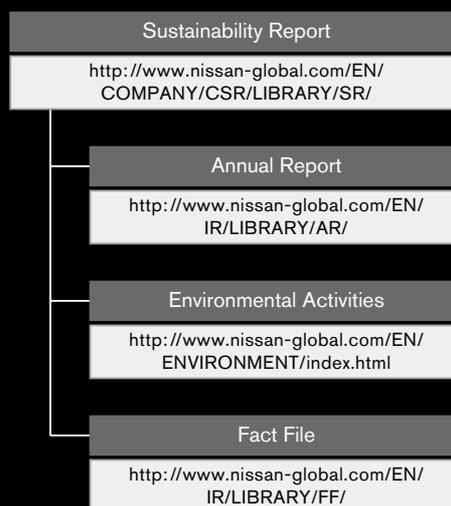
Nissan: Enriching People's Lives

Mission

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

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

This annual report presents financial results for the fiscal period ending March 31, 2006. The report also provides shareholders with insights into Nissan's management team. Through one-on-one interviews, various members of executive management, including President and Chief Executive Officer, Carlos Ghosn, discuss the philosophy and direction of Nissan.



Our Websites

Corporate Information

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

IR Information

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

Environment, Design, Safety and Technology Information

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

Product Information (by Country)

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

Product Information (Japan)

<http://www.nissan.co.jp/>

Corporate Citizenship Information

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

This annual 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 on the dynamics of the automobile industry worldwide and the global economy.

FINANCIAL HIGHLIGHTS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004, 2003, 2002 and 2001

For the years ended	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars ^(Note 1) (except per share amounts)
	2005	2004	2003	2002	2001	2005
	Mar. 31, 2006	Mar. 31, 2005	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2006
Net sales	¥ 9,428,292	¥8,576,277	¥7,429,219	¥6,828,588	¥6,196,241	\$80,584
Operating income	871,841	861,160	824,855	737,230	489,215	7,452
Net income	518,050	512,281	503,667	495,165	372,262	4,428
Net income per share ^(Note 2)	126.94	125.16	122.02	117.75	92.61	1.08
Cash dividends paid ^(Note 3)	105,661	94,236	74,594	50,800	27,841	903
Shareholders' equity	¥ 3,087,983	¥2,465,750	¥2,023,994	¥1,808,304	¥1,620,822	\$26,393
Total assets	11,481,426	9,848,523	7,859,856	7,349,183	7,215,005	98,132
Net consolidated automotive debt ^(Note 4)	(372,893)	(205,791)	13,603	107,952	431,714	(3,187)
Employees	183,356	183,607	123,748	127,625	125,099	

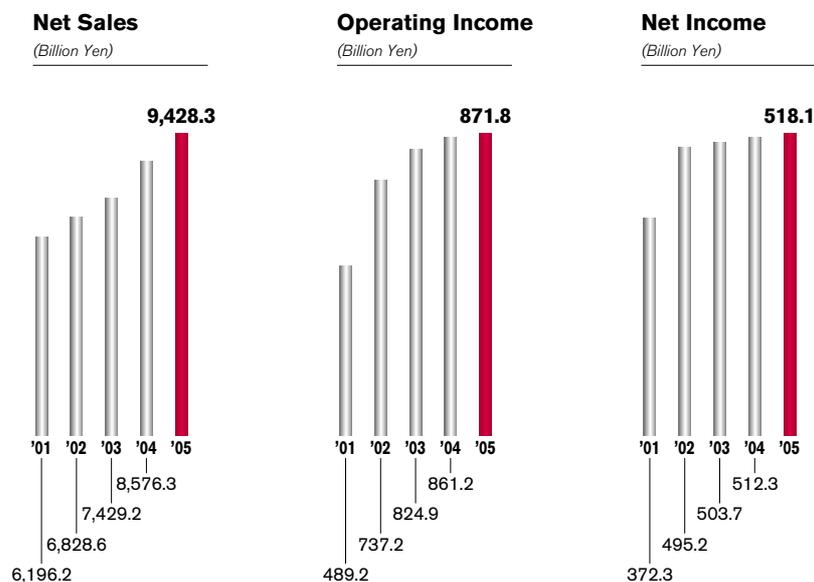
Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥117 = \$1, the approximate exchange rate on March 31, 2006.

2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.

Number of shares outstanding as of March 31, 2006: 4,520,715,112.

3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.

4. Net consolidated automotive debt was ¥215,861 million cash positive in fiscal year 2003, ¥453,470 million cash positive in fiscal year 2004, and ¥600,905 million cash positive in fiscal year 2005, using the same accounting principles as fiscal year 2001.



LETTER FROM THE PRESIDENT AND CEO

The sole objective function of a public company is to create growing sustainable value. Nissan is no exception; our market capitalization, which is the value of what our shareholders own, has increased from 1.2 trillion yen at the end of fiscal 1999 to 6.3 trillion at the end of fiscal 2005.

We approach shareholder value creation in a systematic manner, and have implemented Value-Based Management (VBM) as the strategic tool to achieve long-term value creation.

At Nissan, our three-year business plans are built around VBM. They clearly define a corporate objective with value-oriented operational and financial commitments. Under our third and current business plan, Nissan Value-Up, we aim to keep the "value-up" by building on the value created under the Nissan Revival Plan and Nissan 180.

Nissan's share performance since 1999 has been, in large part, a measure of our effectiveness in implementing VBM. Management systems are now fully consistent with VBM. And a value creation mindset is now pervasive throughout the company.

VBM at Nissan

Our VBM has two stages. We first try to maximize our intrinsic value or the present value of risk-adjusted, expected future free cash flow. Through investor communications, we then try to manage the expectations of the capital market in order to ensure that our market value matches with our intrinsic value.

The first stage has three steps, planning, performance measurement, and compensation system.

Planning is the critical starting point in our VBM process. We look ahead three years and beyond to identify opportunities for growth and operational improvement. From this process, we determine our corporate objectives and value-oriented performance commitments.



For example, under Nissan Value-Up, we are focused on key value drivers, such as profitability, growth, and investment efficiency.

The other two steps, performance measurement and compensation system, are defined by our commitments. Each top-level commitment in the business plan is backed by specific commitments at every level of the organization. Everyone throughout Nissan knows what he or she must achieve. Close monitoring of performance creates an objective basis for a pay-for-performance compensation system. Our compensation system has played a key role in cultivating the value creation mindset in our company.

Our stock option plan is the best example. Employees must meet specific value-based

operational targets in order to exercise their options. This way, the interests of shareholders and employees are closely aligned.

But whether maximizing our intrinsic value in the first stage leads to maximizing shareholder value depends on the second stage, investor communications. Obviously, if the improvement in intrinsic value is not reflected in the market value, it does not reward shareholders at all. Therefore, the role investor communications plays in our VBM is significant.

The role of investor communications is to ensure that our market value tracks our intrinsic value. The benefit of being fairly valued is that we can learn from market signals. Since we believe that our share price is the most objective measure of our future performance, we use that feedback at the highest levels of the company. Obviously, obtaining this objective view is a benefit of being a public company. Therefore, if our share price fails to reflect our fundamentals due to noise and speculation, we lose the benefit of this effective tool. This is why we aim to maintain equity between our intrinsic value and market value.

Result of shareholder value creation in fiscal 2005

Although our share price appreciated 27.2 percent from the end of March 2005 to March 2006, it is clear that our financial performance has failed to meet the market expectations. Our share performance was lower than those of our key competitors and the overall market.

One apparent reason is that our profit growth appears to have flattened, despite another record year in terms of operating profit and net income.

Through reverse-engineering our share price at fiscal year-end – ¥1398 – another factor we identified is that the market expects lower long-term

earnings growth from Nissan, when compared to our key competitors. Since long-term earnings growth is a key value driver, this pessimistic market expectation resulted in the significantly lower share performance.

While our fiscal 2005 financial performance, as a snapshot of the company, was an average performance, we have made progress in terms of maximizing our intrinsic value. And as data from several third-party sources show, our non-financial leading indicators are moving in the right direction.

For example, our product value has been increasing. In the U.S., according to the J.D. Power and Associates 2005 Automotive Performance, Execution and Layout (APEAL) Study, a measure of owners' delight with the design, content, layout and performance of their new vehicles, both Nissan and Infiniti advanced their scores. Nissan maintained a significant gap against the non-luxury average and Infiniti moved past the luxury average. In addition, according to the Automotive Leasing Guide (ALG), key models for both Nissan and Infiniti are now fully competitive in their respective segments in terms of 36-month residual value. By model, the Altima has steadily improved its competitiveness in its segment and the Infiniti G35 sedan, the G35 coupe, and the M are competitive against well-established luxury models.

In China, Teana and Tiida were awarded the Car of the Year in 2004 and 2005 respectively. In addition, according to the J.D. Power Asia Pacific 2005 China APEAL Study, the two cars were ranked at the top in their segments. We also demonstrated significant improvements in customer service. According to the J.D. Power Asia Pacific 2005 China Customer Satisfaction Index (CSI) Study, Nissan was ranked as the top automaker and set a new benchmark with user-friendly service and service quality.

In terms of brand value, the overall value and strength of our brand is increasing. Measuring economic worth from 2003 to 2005, the BusinessWeek Global Brand Scoreboard shows Nissan as the fastest-growing automotive brand.

In order to succeed in the auto industry, a company must have strong products and a strong brand. Although improvement in those leading indicators is not fully reflected in our current profit, we believe that they are the drivers of our future growth.

Outlook

Fiscal 2006 will be a year of two distinct halves. Growth will be hard to achieve in the first half. Volumes will be down and our operating profit will be lower. In the second half, however, volume growth will increase and we expect our operating profit to accelerate as we launch eight all-new vehicles around the world.

The most important of these introductions will be in the U.S. We will launch all-new versions of the Altima, Sentra and the Infiniti G35 sedan, key models that will spearhead a product blitz that continues beyond Nissan Value-Up. During fiscal 2006, we will have 23 regional product-launch events around the world.

Evolving VBM for the future

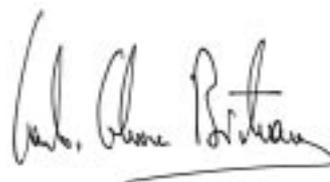
Although we have created shareholder value since 1999, in the past three years, our total return to shareholders has been lower than the overall market. Interestingly, our financial performances have improved over the same period. We interpret this to mean that we could not meet higher market expectations raised by the success of our revival. Even in our new phase, however, the measures we take to create shareholder value remain the same: further progress on key value drivers. Given our

improvement in non-financial leading indicators, we believe that we are moving in the right direction.

By contrast, our approach to investor communications must change to meet the needs of a new era. When we were in our recovery phase, investors naturally focused on our short-term health. As long as we talked in detail about our short-term goals and results, investors were satisfied.

As we enter a new era, investors' needs for transparency have changed significantly and our past level of transparency has become insufficient. Given that the majority of our current share price comes from expected future free cash flow beyond three years, it is reasonable for investors to want to understand our future vision and strategy. This change in focus has meant that investor communications has become a much more important task for the senior leadership team.

In recent years, we have seen an increasingly volatile and challenging business environment around the world. In this environment, only companies that create long-term shareholder value can survive. Therefore, value creation is no longer a mere expression of goodwill but must be the sole objective function of a public company. We will continue to pursue this objective based on our VBM: maximizing our intrinsic value and managing market expectations. Shareholder value creation is a never-ending quest at Nissan.



Carlos Ghosn
President and Chief Executive Officer

LETTER FROM THE COO



My role and responsibilities as COO are very clear: to fully implement the Nissan Value-Up business plan and achieve all stated commitments. If we are not progressing as planned, we determine why, and take the measures necessary to get us back on track.

There were no major problems after Mr. Ghosn became joint CEO of Renault and Nissan—we had been planning for this transition for three years. Several factors made the smooth changeover possible. First is the way we structure our global management team: a three-dimensional matrix with a business axis, functional axis and product axis. Each senior executive within this matrix has both functional and regional responsibilities.

The business axis has four chairmen overseeing regional management committees for Japan, North America, Europe and General Overseas Markets. They are responsible for bottom-line operating profit and net income. Leaders in the functional axis,

covering R&D, manufacturing, purchasing and so on, are responsible for elements such as cost reduction and resource management. For the product axis, each platform has a director.

Disagreements are inevitable with such a complex management setup, but we believe in healthy conflict at Nissan, not easy compromises. When conflicts occur, we shift to a higher decision-making mode. The management committees and the Executive Committee, chaired by the CEO, have the final say on management issues such as strategy, policy, business plans, and so on.

The mindset and actions that we have cultivated since the Nissan Revival Plan—what we call the Nissan Way—also eased the CEO transition. We work hard to instill this thinking throughout the company, encouraging employees to challenge, participate, and commit to objectives. After Mr. Ghosn became Nissan's CEO, our HR strategy began focusing on executive training and promoting people with high potential. Reflecting this, the average age of Nissan's current executive committee members is 53, very young when compared to most Japanese firms.

One of my primary tasks as COO is to oversee implementation. I concentrate on the “PDCA” cycle—plan, do, check, action—examining quality issues, profitability, cost reductions, and sales and marketing expenses. Our cultural imperative is to tackle issues and problems at the earliest possible stage, because when small problems get big, simpler solutions often disappear. For example, I continually monitor our KPIs—key performance indicators—in our monthly Value-Up status report. These include external and internal KPIs, and are closely linked to our Value-Up objectives and commitments.

Another variable is our return on invested capital or ROIC. That breaks down into several KPI, such as accounts receivable and inventory. If inventory is

overflowing somewhere, we want to know why. Just waiting for results is not management—we need to be proactive. That's the Nissan Way in action.

In addition to my role and responsibilities as COO, I serve as the chairman of the GOM countries. I also oversee quality, human resources, and treasury. My priority now, however, is the Japanese market. None of us is satisfied with the results we're getting. Although we derive much of our profitability from overseas, we remain vulnerable to exchange rate fluctuations, so we still need to deliver solid revenues from Japan.

Japan's market remains highly competitive. Since the early 1990s, total industry volume has gone from 8 million to under 6 million. In this diminishing market, many manufacturers have maintained multiple sales channels as a way to try to retain customers and increase market share.

Nissan had two different sales channels until 2005. Now we sell our entire lineup through both. This is the right long-term strategy for us, because it is both customer-driven and profit-driven. However, we still need to rationalize our dealership network. Of our 150 dealers and 2500 outlets, 52 are Nissan subsidiaries representing around 1200 outlets. Each subsidiary had its own management, business plan and assets, including non-core assets like driving schools.

This is clearly inefficient, so in April we separated the asset management business and the dealer business. We put all assets—land, buildings and showrooms—into one new company called Nissan Network Holdings (NNH). We will close some

unprofitable outlets, but NNH can invest if we consider one salvageable.

My three strategies for improving profitability in Japan are to improve the efficiency of our product range, further strengthen the effectiveness of the dealer network, and deliver superior customer satisfaction. Given a choice of profit or volume, we choose profit.

Providing agile, responsible, and personalized customer treatment, based on the Nissan Sales and Service Way, is also essential. We have hundreds of supervisors observing and giving feedback on how well our salespeople interact with customers. We constantly evaluate customer and sales satisfaction indices and conduct surveys at every outlet. As a result, our customer satisfaction scores in Japan are very high.

In fiscal 2006, the second year of Nissan Value-Up, we are focusing on four breakthrough areas globally: Infiniti, LCVs, geographic expansion, and sourcing from leading competitive countries. The first six months will be tough, since we will have fewer new models. Yet even in this enormously competitive industry, we are confident that our products, discipline and customer-driven approach will deliver profits and sustained value to our shareholders.



Toshiyuki Shiga
Chief Operating Officer

EXECUTIVES



From left: Alain-Pierre Raynaud, Mitsuhiro Yamashita, Tadao Takahashi, Toshiyuki Shiga, Carlos Ghosn, Itaru Koeda, Hiroto Saikawa, Carlos Tavares

BOARD OF DIRECTORS AND AUDITORS

Representative Board Members

Carlos Ghosn

President and Co-Chairman

Itaru Koeda

Co-Chairman

Toshiyuki Shiga

Board Members

Tadao Takahashi

Hiroto Saikawa

Mitsuhiro Yamashita

Carlos Tavares

Shemaya Lévy

Patrick Pélat

Auditors

Hisayoshi Kojima

Takeo Otsubo

Toshiyuki Nakamura

Haruo Murakami

EXECUTIVE COMMITTEE MEMBERS

Carlos Ghosn

Toshiyuki Shiga

Itaru Koeda

Tadao Takahashi

Hiroto Saikawa

Mitsuhiro Yamashita

Carlos Tavares

Alain-Pierre Raynaud

(As of June 27, 2006)

An Energized, Enlightened Alliance

The targets outlined in the Nissan Value-Up plan for sustainable growth would be far harder to achieve without the close and continuing cooperation of our Alliance partner, Renault. With our CEO Carlos Ghosn now heading the executive committees of both companies, the Alliance has become an even greater source of global insights and solutions.

A distillation of best practices from two companies is much more potent than what one alone can produce. The Alliance board meets regularly to develop the strategy and to share the perspectives on major industry issues and opportunities.

Because its scope remains open and flexible, the Alliance has generated a wide spectrum of projects and initiatives. For example, one core benefit of the Alliance is the capacity for in-depth benchmarking which is not possible with a third party.

Nissan and Renault's joint transparency policy encourages such disclosures, giving us the advantage of a dual angle on problems and their potential solutions.

The Alliance presents opportunities in engineering as well. We have collaborated on powertrain development, for example, giving both Renault and Nissan the chance to refine a fundamental component of the carmaking craft. Across functions and borders, our engineers are inspiring each other to devise the vehicles of the future.

Further optimization of the Alliance in areas such as distribution and shared production capacity lowers cost and risk—factors that will help us expand faster in the largely untapped General Overseas Markets (GOM). Where one partner has a presence and the other does not, the support and market knowledge is there to be shared. For a totally new market or segment, we discuss how to enter. Two recent examples of Alliance cooperation are:

- Opening a joint parts warehouse in Hungary that delivers thousands of spare parts to

Renault and Nissan dealer networks in Central Europe. The Alliance partners invested €13 million in the facility, which uses a new IT system Renault and Nissan developed together. Handling parts at a single, centrally located site should bring significant cost reductions and generate synergies in supplies and distribution.

- Nissan initiating sales of the SM3 compact sedan, produced by Renault Samsung Motors (RSM) at its Busan plant in Korea, in various world markets beginning in 2006. This marks the first time Nissan has sourced vehicles for export from Korea. RSM will produce up to 30,000 SM3s—a model originally based on a Nissan product—every year.

To make the Alliance thrive, Nissan and Renault concentrate solely on opportunities with the potential to benefit both partners. One example is shared sales financing services in various markets, including Europe. If a project is not mutually advantageous, we either find a way to balance the return or abandon the venture.

In the end, the true worth of the Alliance springs from its virtually limitless potential. We realize that we have our own strengths and goals, but that only energizes us to discover where we can rely on each other for support. We challenge each other, too, and in doing so, move our businesses to a higher road.

RENAULT NISSAN

Various Models from the B Platform



Clio



Bluebird Sylphy

What Keeps Nissan in Motion

A global corporation must be nimble in both its thinking and its actions to thrive in these highly competitive times. For that reason, the foremost tenet of the Nissan Way is cross-functionality—a way to unite all our far-flung businesses and people. Aligned with the Nissan Value-Up business plan, it is our most potent management tool.

What does cross-functionality mean in everyday terms? The easiest way to understand the concept is to look at our cross-functional teams, or CFTs. A CFT is a group of Nissan employees formed from various regions, cultures, organizations and disciplines. Their experiences and perspectives are often quite different. What seems perfectly logical to one CFT member may seem out of context to another.

Not surprisingly, the interactions between these individuals often generate what we call “healthy conflict.” Many companies would view such internal tension as something to be avoided. We do not. Instead, we believe it produces the kind of energy and creative vision that sets a company above the rest.

Behind all of these interactions is the collective desire to serve Nissan's customers. We realize that no single part of our business is capable of producing everything that our customers need—exceptional products and the sales, distribution and services that must accompany them. That is precisely why cross-functional activities are the core of every operation within Nissan.

Another fundamental and closely related concept for us is “stretch.” Frequently a question arises that potentially affects every facet of our operations. When that happens, we have to look far and wide for a definitive answer. One distinct advantage of being a global business is that we can tap into a wealth of

grassroots knowledge and ways of thinking. In the process, we often gain solutions that stretch the organization in new and profitable directions.

Open, constructive exchanges are at the heart of effective two-way communications. The way we relate to others, both inside and outside Nissan, is based on mutual trust and respect. And because information flows so much faster now, we have developed sophisticated new communications channels. Nissan employees can access company data and transmit what they know to our stakeholders, suppliers, the media and other interested parties in a more efficient way.

Nissan's strength springs from our motivated, passionate people, and we work to increase their enthusiasm in many ways. Keeping our management consistent and promoting empowerment is one of those ways. Our managers operate with strict accountability, assess progress objectively, and readily acknowledge superior performance. Their attitudes and ethical behavior inspire trust in the actions and decisions of the company. Employees readily participate in the decision-making process because they know the management structure and feel confident in expressing their own opinions and ideas. That is how true empowerment grows.

Those are the elements of our corporate philosophy. As Nissan continues to pursue sustainable, profitable growth, our thinking will remain broad. Our ultimate goal is to become the leading automaker in brand strength, quality, profitability and performance, and we aim to do it in every country, region and product segment. The Nissan Way will continue to give us the flexibility to redefine who we are, based on the needs and desires of our customers.



Performance

EVOLUTION WITH PRECISION IS THE NISSAN WAY. AS WE ACCELERATE INTO THE LUXURY MARKET WITH INFINITI. AS WE MAKE LIGHT COMMERCIAL VEHICLES A SOLID GLOBAL PILLAR OF OUR BUSINESS. AS WE SOURCE PARTS AND SERVICES FROM COUNTRIES SUCH AS CHINA, INDIA AND THAILAND, AND RAPIDLY LOCALIZE PRODUCTION THERE AS WELL. PROFITABLE, WELL-TUNED, COST-EFFECTIVE PERFORMANCE.



FISCAL 2005 PERFORMANCE

Record Results in a Fiercely Competitive Environment

Fiscal 2005 was a year of transition and tough competitive challenges for Nissan. Despite that, and rising costs related to energy, raw materials, regulations and interest rates, we met all Nissan 180 commitments and posted record operating profit and net income. Nissan Value-Up, the next phase of sustainable and profitable growth, is well under way.

Sales performance

Although fiscal 2005 was the year in which we will have the fewest number of new product introductions during the three years of Nissan Value-Up, global sales reached a record level of 3,569,000 units, up 5.3 percent over last year's record total.

Financial performance

Our consolidated net revenues in fiscal 2005 were ¥9,428.3 billion, surpassing fiscal 2004 by 9.9 percent. Consolidated operating profit improved by 1.2 percent to a record ¥871.8 billion. As a percentage of net revenue, our operating profit margin totaled 9.2 percent.

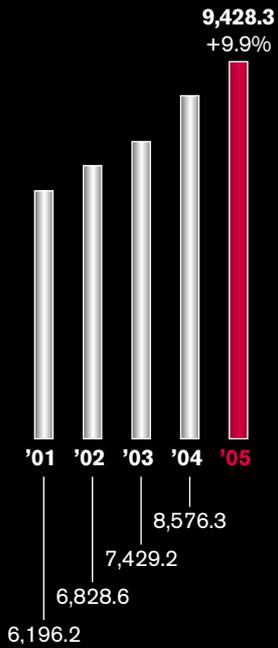
Net income reached ¥518.1 billion, a rise of ¥5.8 billion. At the close of fiscal 2005 we had a net cash position of ¥372.9 billion, ¥167.1 billion more than when the year began.

Nissan Value-Up commitments

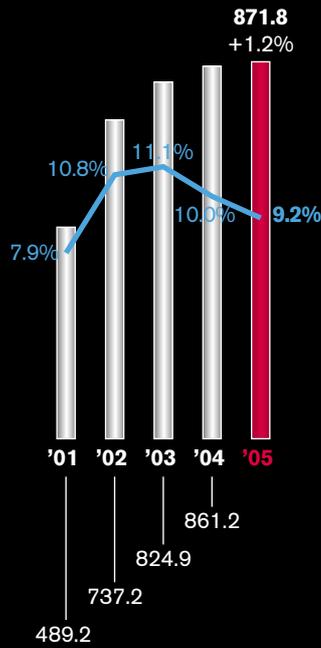
Nissan Value-Up incorporates three key commitments:

- Profit:** Nissan will maintain the top level of operating profit margin among global automakers for each of the three years of the plan.
- Volume:** Nissan will achieve global sales of 4.2 million units in fiscal 2008.
- ROIC:** Nissan will achieve a 20 percent or higher return on invested capital on average over the course of the plan.

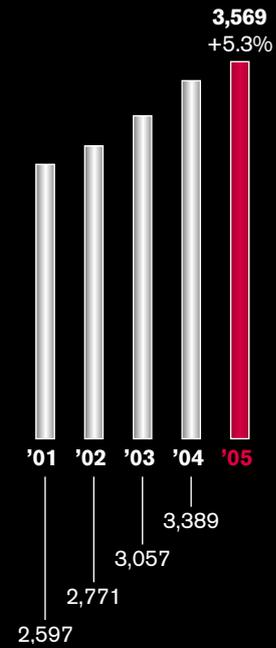
Consolidated Net Revenue
(Billion Yen)



Consolidated Operating Profit/Margin
(Billion Yen/%)



Global Retail Sales
(Units: 1000s)

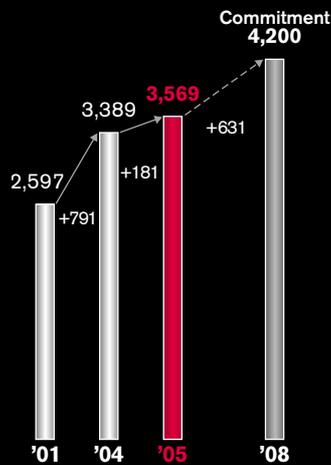


THREE CRITICAL COMMITMENTS

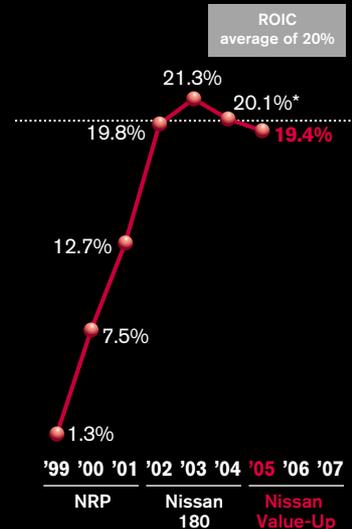
Consolidated Operating Profit Margin
COP margin (%)



Nissan Value-Up Sales Volume
(Units: 1000s)



Return on Invested Capital (auto)
(%)



*Same scope of consolidation as P&L, excluding change of cash compared to fiscal 2003

FISCAL 2006 OUTLOOK

Shifting from Low to High Gear in Fiscal 2006

Fiscal 2006 will be a year of two distinct halves. Volumes and operating profit will be lower in the first half.

In the second half, however, volume growth will increase by more than 10 percent and we expect our operating profit to accelerate as we begin to launch nine all-new vehicles around the world—one in the first half but eight in the second.

During fiscal 2006, we will have 23 regional product-launch events around the world. The most important of these introductions will be in the U.S. We will launch all-new versions of the Altima, Sentra and Infiniti G35 sedan.

Assuming global industry volume of 63.9 million units, we predict our global sales volume will reach 3,730,000 units, 4.5 percent higher than 2005.

Our sales objectives by region

Japan: 846,000 units, flat versus last year

U.S.: 1,100,000 units, up 2.3 percent

Europe: 561,000 units, up 3.7 percent from fiscal 2005

General Overseas Markets: 1,223,000 units, representing a 10.1 percent increase

Our financial outlook

Fiscal 2006 will present a challenging environment marked by volatile foreign exchange rates, high raw material and energy prices, and climbing interest rates. Competition, intensified by incentive offers, will be unrelenting. As we pursue Nissan Value-Up commitments, we will stretch to succeed and take nothing for granted.

Taking all these elements into account, our forecast for fiscal 2006 is as follows. This is based on a projected annual foreign exchange rate of ¥110 per dollar and ¥135 per euro:

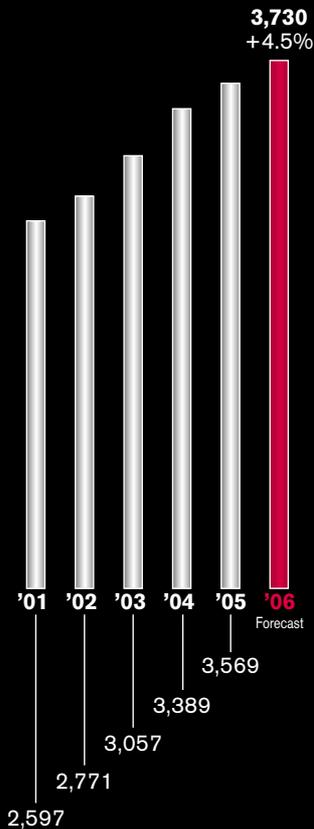
- Net revenue of ¥10,075 billion, up 6.9 percent
- Operating profit in the ¥880 billion range, up 0.9 percent from fiscal 2005
- Ordinary profit of around ¥870 billion
- Net income totaling approximately ¥523 billion
- Capital expenditures of approximately ¥550 billion, representing 5.5 percent of net sales
- R&D expenses totaling ¥490 billion, or 4.9 percent of net sales
- An ROIC rate of 20 percent

New Models for Fiscal 2006



Global Retail Sales Volume

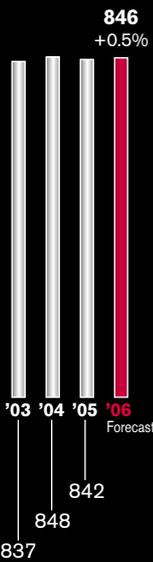
(Units: 1000s)



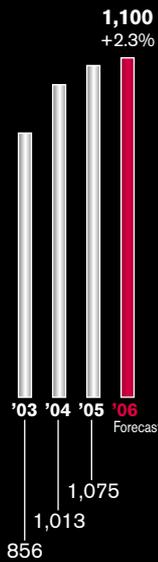
Retail Sales by Region

(Units: 1000s)

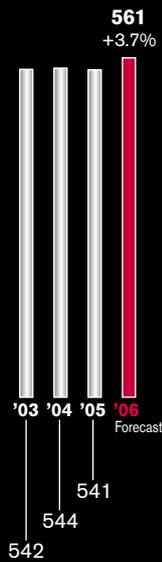
Japan



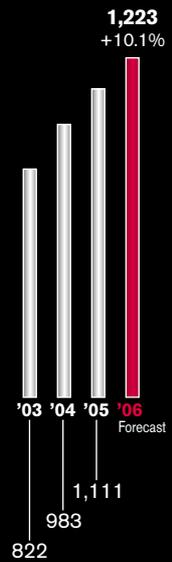
U.S.



Europe



GOM*



*Including Mexico and Canada

STATUS OF BREAKTHROUGHS

Breakthrough Progress

During Nissan Value-Up we will pursue four major breakthroughs:

One—Make the Infiniti a universally recognized luxury brand. Beginning with Korea in 2005, we are establishing dedicated Infiniti dealerships in Russia, China and Western Europe that present the brand's vibrant luxury. With the new M and G35 leading the way, Infiniti sales grew 6,000 units to 148,000.

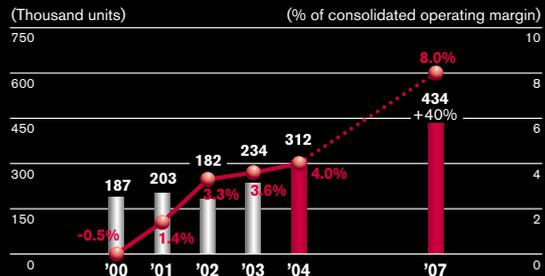


INFINITI. Infiniti Global Top Tier Brand



Two—Build a global presence in the light commercial vehicle (LCV) market. Our LCV business is already close to meeting its Value-Up commitment of doubling operating profit and a 40 percent rise in volume. We are also launching LCV dealerships that provide customized service to commercial customers.

Light Commercial Vehicles (LCV)



Three—Cultivate new supply sources in leading competitive countries. Sourcing parts, equipment, tooling and services from vendors in areas such as China and Thailand is already helping us ensure cost competitiveness worldwide.

Leading Competitive Countries (LCCs)



Four—Expand our international presence. We are moving steadily into markets such as China, India, Thailand, Russia, Egypt, Eastern Europe and the Gulf countries, establishing new, localized production facilities, distribution channels and sales financing companies.

Geographic Expansion





CARLOS TAVARES
Executive Vice President

Bringing a Luxury Brand to the World

We delivered better-than-expected performance for Infiniti in fiscal 2005. It was a very good year for profits, and we met all of our commitments.

The M series in particular gave us a lot of satisfaction. Sales were good, the car received several awards, and we had some exciting test results with the media. Besides bringing in respectable revenues and profits, the M gave us credibility inside the company. Based on its U.S. success, we can approach the CEO and Executive Committee in the future with confidence to request further expansion of the Infiniti lineup.

While recognition of the Infiniti brand is still low outside the U.S., good work done over the last five years has given the brand extraordinarily strong alignment, which is a huge asset. The way the teams express the brand pyramid and dynamics—the silky design, the vibrant experience, the interplay between serenity and driving pleasure—has reached a high level of alignment and consistency. That makes it easier to communicate about the brand and specific Infiniti features.

Our non-U.S. sales increased appreciably. Although we were a little shy of the numbers we planned in Korea, we are not impatient or anxious about sales. A top tier global luxury brand can be very profitable, but building one is a long-term process. The car is just one component in the

package. We have to deliver, step by step, the wonderful ownership experience luxury customers expect, and make it repeatable throughout the life cycle and across borders. Opening in Korea with three dealers has allowed us to refine and improve through very quick, short loops, seeing what has to be done at the grassroots level to deliver the proper luxury-level experience.

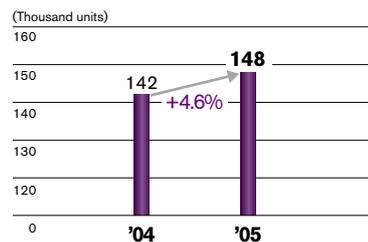
Gathering feedback in smaller or new markets like Korea is tough, because the measurement tools are often limited, especially from external parties that provide such measurements in more mature markets. When I discuss this with the teams, I stress that I'd rather have a rough tool six months after launch than a precision tool three years down the road. That way, if there's a big problem, we can see it and fix it quickly. In the meantime, we must depend on grassroots research—phoning customers to see how they feel about the car, asking what we can do for them. The local team cannot just look at surveys, make a detailed analysis, propose countermeasures, implement the plan, and then wait another six months for a new survey.

When we launch Infiniti in new markets, we want to inspire a high level of loyalty to the brand, because the next generation of Infiniti products will bring even more value than the current one. We could be delivering more profit in our new Infiniti markets, but I am more concerned with customer satisfaction levels

Infiniti Brand Global Expansion



Infiniti Sales Volume





and avoiding short-term decisions that can jeopardize the future of a luxury brand. The breakthrough of Infiniti is not just the products; it's also delivering the right service and the right customer experience. That's why we take our time.

Two different axes will determine the future development of Infiniti. The first axis involves using the trends and expectations of customers in the various regions we will enter with the Infiniti brand. Asian markets, for instance, simply will not accept any kind of harshness or noise, such as squeaks and rattles. For Russia and its neighbors, we've added specs that address severe road and winter conditions.

We will then apply pressure from Western Europe, probably the world's most demanding market in terms of performance and craftsmanship, to raise our standards further. With strategic constraints such as these, and knowing that the luxury market is probably the most homogeneous segment in the global automotive industry, we will grow our capability to delight luxury customers everywhere.

The second axis relates to the network and the customer experience. For each product launch, we have two very important and symmetrical milestones: the start of production and the start of sales. The start of production only occurs after everything related to the performance of the car—durability, fuel efficiency, handling, and so on—meets the specs necessary to compete in the marketplace.

When we pursue the start of sales milestone, however, we change worlds. We are not talking about just the cars, but about whether the sales channel deliverables are ready. Did we train our

salespeople properly? Are the necessary maintenance tools available? Do the warehouses have all the right spare parts? For start of sales, we address everything that relates to the car's life cycle, and we don't deliver the vehicles to the customers until it's right.

We are now selecting dealer partners for Europe, and we are attracting them by showing them the product lineup. We are looking for luxury professionals that are convinced by the strength of our brand and believe it is a long-term investment. They can appreciate that Infiniti has some uniquely desirable traits. And on top of the products we already have in the marketplace, several models in the pipeline will be very distinctive. The new FX design, for example, is incredible. When we held a recent executive design review, I saw a rare display of wonder of the face of our CEO and other executives.

I believe Europe is moving away from the aggressive vehicle stances to a more citizen-oriented mode, so our Infiniti crossover models will have great value because of their flexibility and balance. They maintain the ability to go off-road and offer safety, visibility and driving pleasure without an aggressive posture.

We are on schedule to launch Infiniti in Russia in October, and a China launch is in the works as well. We will be entering Western Europe in 2008, with an expanded lineup and a new V6 diesel, which the European market wants and expects. By doing this, we will bring more profit to Nissan, address new customers in the luxury market, and follow up on our present success to gain added credibility as a top tier global luxury carmaker.



Building the Right Infrastructure to Serve LCV Customers

Our results for fiscal 2005 surpassed even my original expectations. The 2004 result—312,000 units and 4 percent operating margin—was the reference point for the new three-year LCV breakthrough plan. Our objective was a 40 percent increase in volume and a doubling of profitability to 8 percent.

Well, we finished the year with a shade over 400,000 units sold and a 7.7 percent operating margin. Put another way, with two years left we have gaps of just 34,000 units and 0.3 percent to close.

We didn't launch any new LCV products in fiscal 2005. This was really a year to give the business side some serious attention. We started rolling out the business unit regionally, establishing a dedicated LCV & Fleet division in North America and another in Mexico. We now have a properly tuned central LCV organization in Europe. Our sales and marketing activities are more aggressive, and we're challenging the GOM regions on how they sell vehicles. We rolled out existing models in new GOM territories, like Egypt, where we began selling the Urvan.

Japan remains our number one LCV market in volume terms at 140,000 units. China is number two, through our partnership with Dongfeng, and represents a vital market for Nissan's LCV business. Our team in Europe has made some aggressive future commitments. Mexico is also big for us. We

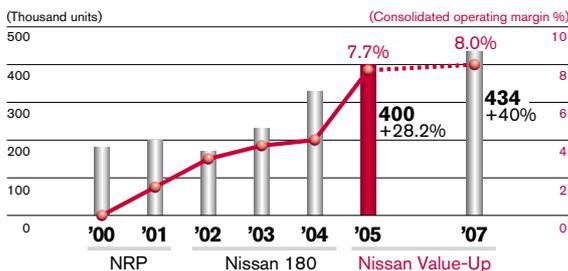
hold a leading position with the pickups and the Urvan. In our plans, Mexico represents a future staging platform for Latin America. After that, you've got GOM, which collectively goes from a relatively minor part of our business to a major growth engine as we look to 2010.

The most important thing about the U.S. is that we do not sell LCVs there yet. It's a huge opportunity for us, particularly because North American LCV customers have many unmet needs. First, however, we need to understand the distribution model and these unmet needs. We started a study a year ago and have identified several interesting opportunities.

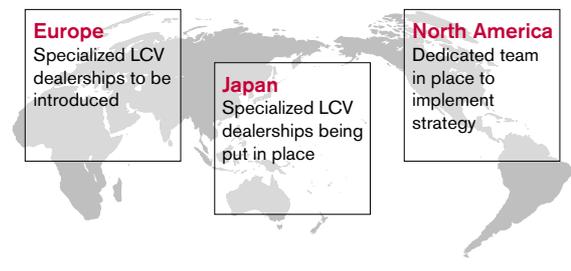
In Japan, one of the world's most saturated markets, we actually overachieved our business plan by almost 10,000 units. Conventional wisdom says there's little opportunity there. However, I think there is a lot of potential, and the battlefield is that of customer satisfaction through services.

Two years of research have shown us that LCV customers view service very differently from passenger vehicle customers. In fact, services are just as important to them as the product. LCV customers are buying something they expect to serve them for a long time, to operate with perfect reliability and with a low cost of ownership. They do extensive online research before talking to us. They want their vehicles serviced outside of normal working hours. You can see this behavior more or

Volume and Operating Margin



Activities by Regions





less globally, although needs vary from country to country.

That's why we developed our LCV Pro Shop concept for Japan, to provide that superior service as well as custom conversions. We opened two pro shop hubs in fiscal 2005, in Kanagawa and Tokyo, and recently another in Miyagi Prefecture. The hub shops have basically all the services, and support several satellite or spoke shops. We've done the trials, checked the performance and the problems. Now we're ready to deploy the concept elsewhere in Japan. Later we will export this concept to other markets: Europe, for instance, will develop a similar concept by adapting the Pro Shop model to specific European customer needs. We see two slightly different customer profiles in Europe, truck buyers and van/pickup buyers. We're working on adapting the Pro Shop model appropriately.

LCV customers are big on conversions, rarely wanting what comes out of the factory gate. They want a box and shelving here, or a door there. We're having an organization in North America look at extreme customer usage, such as ambulances and SWAT team vehicles, to see how we can innovate based on that—aspects like super-efficient storage, and getting in and out of the vehicle quickly and smoothly with lots of equipment.

Did we have this mentality two years ago? No. We thought like a car company, and car companies wait for customers to walk through the door and sell them a product that is standard in principle. The Pro Shops turn that around, establishing an infrastructure that supplies exactly the services the customer needs.

In an overall sense, we follow six strategies, all linked to that 40 percent increase in volume and doubling profit. First, renewing our portfolio. Second, reducing cost and enhancing value for the customer. Third, entering new territories. Fourth, enhancing the

value chain, because you need the marketing, after-sales and conversion. Fifth, original equipment manufacturing or OEM deals. And sixth, taking all the lessons we've learned through this breakthrough and passing that knowledge on to later generations of LCV managers.

There are a couple of issues related to OEM deals. In 2002, we found ourselves in a kind of limbo, with a portfolio full of products produced by other makers with our badge on them. Obviously we make more profit from vehicles we sell, like AD Van and Civilian, than on vehicles we buy.

Even our most aggressive rollout plans wouldn't supply enough volume to sustain the 8 percent profitability that we want. So we looked for strategic partners that would provide us additional volumes. We've completed a deal with Renault Trucks in Europe, cross-badging a new truck with them. They enter a new segment; we enjoy the added volume. We've signed a similar deal with Mazda for AD Van in Japan and we are working on other deals.

Nissan has advantages in the LCV space. No LCV competitor can play in every market in every segment. And fleet managers, some of our key customers, are taking a global perspective on sourcing their vehicles. We don't have global coverage in every segment yet, but we've spent two years on a plan that is getting us there.

We have an aggressive product-launching plan for fiscal 2006 and 2007. Fiscal 2006 will benefit from what we began two years ago as products come out of the pipeline. We launch one all-new product in Europe, the Cabstar, and three significantly changed models. We will also launch an all-new product in Japan. In fiscal 2007, the network starts to hum, and we come in with new products and start with a regional rollout. By fiscal 2007, we plan to cover almost 70 percent of the world markets.



LEADING COMPETITIVE COUNTRIES

Pursuing New Sourcing Frontiers and Partnerships

Nissan must be a global cost leader. The mission of purchasing is to develop effective new supply sources for bought-out parts, machinery and equipment, vendor tooling, and services. Increasing our sourcing from leading competitive countries, or LCCs, represents a major breakthrough under our Nissan Value-Up business plan.

In 2005 we focused on China and Thailand, which will serve as best practices on how to effectively manage future LCC activities. Working together with engineering we gained both practical knowledge and the momentum needed to reach into other LCCs and apply what we've learned in China and Thailand.

The logic behind LCC activities is not just to reduce absolute cost but also to allow us to focus on efficiency and our core business. For example, we've chosen to outsource and offshore certain back-office functions, operational work and call centers to countries like India and China. This approach reduces the cost of standard business operations and mitigates the cost increases associated with business growth and expansion. But, more importantly, it allows us to focus critical resources on our core business activities and those that generate the most value.

The fruits of these efforts are already being seen in Japan, North America and Europe, where over 15

percent of purchasing costs for these three regions will be sourced from LCCs. We anticipate seeing those cost benefits in 2006 and beyond.

We are convinced this is the right direction. However, competition is relentless and we need to speed up and scale up our activities. Nissan's geographic expansion is proceeding as planned in 2006, driven in part by our focus on the so-called BRIC nations—Brazil, Russia, India and China. We are aware of the risks when expanding a supply base to new regions, so we are systematically reinforcing our logistics management to handle a potentially longer supply chain. No compromises will be made on quality and delivery.

The Renault-Nissan Purchasing Organization—RNPO—has formed a Common Supplier Panel, which identifies Renault and Nissan supplier candidates, including those in LCCs. At present, we can anticipate benefits from Renault's existing LCC supply bases in Eastern Europe and Brazil, and the shared leadership of the Alliance allows us to trade know-how and find additional LCC opportunities.

In expanding our supply base, we are working closely with our suppliers. We are deploying the concept of "project partners" that is facilitating Nissan and its suppliers to optimize the required investments for new projects together. This upstream collaboration allows us to resolve critical problems earlier in the project cycle, especially important when establishing new LCC supply bases.

We are firmly committed to pursuing a high level of performance in quality control and delivery in LCCs. To establish strong supply bases in these key countries, we will focus on the effective deployment of our purchasing activities with our global network and seek further enhancements of our current partnerships with suppliers.

Leading Competitive Countries (LCCs)



GEOGRAPHIC EXPANSION

Measured Moves into New and Emerging Markets

Nissan is on the move, spreading out, measuring the potential of scores of markets around the world. Our initial presence in a new region may be small in scale—just a few dealerships and a carefully selected model. Immersing ourselves in the market, really getting to know the customers and their needs, is far more vital to us than a media splash.

Once we gather that market knowledge, however, our expansion is swift and sure. We branch out from the major metropolises, establishing new sales distribution channels. As a market matures, we localize, building production facilities and sourcing from local suppliers to both meet the surge in demand and keep costs low.

To draw more customers to Nissan, we begin sales financing operations.

In vibrant marketplaces as diverse as Russia, Korea, Egypt, Thailand, China and India, Nissan holds to this solid and profitable pattern. As we contemplate both new markets and existing ones where we hope to expand, our Alliance with Renault is always integral to our calculations. Where we are a stronger presence, we provide a base for Renault. When the opposite is true, Renault is our welcome foundation. This singular partnership, more than any other factor, has powered the success of our global expansion plans.



GEOGRAPHIC EXPANSION

THAILAND

Preparing for Local and Global Growth



KOSAKU HOSOKAWA
President
Siam Nissan Automobile
Co., Ltd.

In 2005 our profit improved, but we lost some sales volume. However, we knew in 2004 when we took over Siam Nissan Automobile Co., Ltd. that 2005 and the first half of 2006 would be difficult.

There were several reasons we didn't chase volume in

2005. First and foremost, two of our major volume-selling models, the Pickup and the Sunny, were both at the end of their model cycle. I also discovered how poor our sales network was in terms of showroom quality and the way salespeople and service technicians handled customers.

An additional problem was that the locations of our showrooms didn't match up with where our customers were living. We found that they had moved from central Bangkok to the suburbs, but the company had not done any market analysis for over ten years and was unaware of that. Chasing volume under these conditions was more likely to increase customer dissatisfaction than sales.

The first thing I decided to do was prepare for new products. I also implemented market representation activities, particularly for Bangkok. Bangkok represents half of the total demand in Thailand, but our sales performance there was quite weak. We began identifying ideal locations for

showrooms and establishing standards for the showroom and after-sales service.

Through market representation activities, we discovered the need to find both new dealer candidates and current dealers willing to make a bigger investment. By the end of 2005, we'd added 13 showrooms in Bangkok, and we'll open up 16 more during 2006. We plan to have 201 showrooms nationwide by the end of this year, with their facilities and management elevated to Nissan's global standard.

Last year was a record for sales in the Thai market, with a total industry volume of 703,000 vehicles. At the beginning of 2006, the consensus in the industry was to expect 4 to 5 percent growth. However, total industry volume has remained virtually flat. There are three primary reasons. Fuel prices are high and continue to rise, and interest rates are also high. Political turmoil is also a factor. The courts rejected the results of the recent general election, so Thailand has to go to the polls again. Consumer confidence has subsequently dropped a bit.

One clear plus for us was the Teana. Just a year after we introduced it in June 2004, the Teana had become one of the best sellers among large passenger cars. Besides being affordable, the Teana's fuel consumption makes it attractive in the fuel crisis. Our previous entry, the Cefiro, had a very small market presence, but the Teana was competitive against the segment's other dominant models. Since our network was so poor, Teana's sales were even more impressive.



"Shift_"event in Thailand in May 2006



New Teana in "Shift_"event



New Teana

Customer awareness of Nissan and our reputation for quality is high in Thailand. Thailand was actually our first overseas market—we started operations with Siam Motors back in 1952. When the Thai baht crisis hit and the Asian economy nearly crashed in 1997, though, it hurt us. Most other manufacturers were able to inject capital to save their local investors and take a majority share. Unfortunately, we had a financial crisis of our own in 1997 and 1998. We couldn't put the necessary cash into the Thai operation, and we lost an opportunity and the competition got ahead.

Pickups dominate the Thai market, accounting for 60 percent of the total industry volume, and last year pickup production was 750,000 units. Thailand is a fine manufacturing base for pickups—it's actually the second-biggest producer of pickup trucks after the United States—and we have an excellent supply chain there, particularly for parts. Other makers had already established Thailand as their base for pickup exports, and logically we knew we should do the same.

Pickup production in the United States and Spain covers the North American and European markets, so we plan to have Thailand cover the other markets. Production is scheduled to start at the end of 2006. We're currently preparing a new generation of pickups, too, mainly for export to the GOM market.

The Thai market's second-biggest segment is the mid-sized to smaller passenger car. We're going to change our offering in this segment, replacing the Sunny with the Tiida sedan and hatchback. We hope

to keep current customers and gain some new ones from people who are presently driving the competition.

Before now, we were the only major car manufacturer in Thailand without a captive finance company. One problem that created was a loss of brand continuity. A customer typically starts the purchase process by seeing a Nissan TV commercial or reading a brochure, and then goes to the showroom. At the end of the purchase experience, a different company was coming in, which meant we lost a brand touchpoint.

A second reason is that financing is basically a profitable business. As long as we are selling the vehicle, and customers are using our financing, we have a chance to make profit.

Foreign finance companies looking to establish themselves in Thailand need the government's approval. We received our license in March. We've started the pilot phase, and will begin actual operations at the end of May. This will help support the sales of the new vehicles coming at the end of June.

Because Thailand has free trade agreements with several other Southeast Asian countries, especially ASEAN nations, we also have a major regional opportunity. We'll be raising production to 200,000 units, with 70,000 of them destined for export markets. Thailand also has a good supplier base, and assembly costs in our factories are quite competitive. For these reasons I believe that Siam Nissan will continue to grow as a global player and be a major contributor to Nissan Value-Up.

GEOGRAPHIC EXPANSION

RUSSIA

Profitably Riding a New Market Surge



TORU SAITO
Managing Director
Nissan Motor Rus

Two years after January 2004 when we started commercial operations in Russia as Nissan Motor Rus, our sales had already reached 46,500, representing a 63 percent gain over the previous fiscal year. Four new models helped to drive our

performance: the 350Z, Pathfinder, Murano and Navara. Nissan's strong brand presence permits us to keep our retail prices at a good yet competitive level, allowing for sustainable profit.

Several external factors helped generate the increase. High oil revenues and gas and other natural resource exports brought sustained economic growth, creating a powerful demand for vehicles, particularly foreign brands. Japan's brand image among Russian consumers is excellent, and Nissan has a particularly good reputation for quality and performance. In fact, the Navara was just named 2006 Car of the Year.

Internally, we control our sales expenses very well and don't spend much on incentives. Our supply chain pipeline has been streamlined. We've been quite aggressive in our marketing, too, increasing communications and advertisements. We're working hard to develop a wider sales network and present a product lineup that fits Russian conditions and local

consumer requirements. The number of models is still relatively small, but we're selling a lot of each. Our product mix has helped. The 4x4s account for a good portion of our sales and provide better profits than regular passenger cars.

Dealer margins are another factor. In Russia, the gross dealer margin is much lower than in Western Europe, primarily because sales expenses are comparatively lower and volume is bigger per dealer. Nissan also strives to keep dealer numbers low and go with big dealerships. Reflecting that, our top dealer in Moscow, the largest market in Russia, sold close to 5,000 cars last year, and the average was around 2,500.

Right now we have thirty-two dealer partners, some of whom have more than one outlet. We've also got quite an aggressive network expansion plan. We intend to add ten dealerships this year, and do the same next year. We already have good partners in Moscow and St. Petersburg, so the task is to find equally good ones as we expand into the regional markets, including Siberia. Last year we also started sales in the Ukraine.

We're quite selective and demanding about dealership appointments. Thanks to Nissan's good reputation, we don't have any problem attracting new partners. We spend a significant amount of time assessing candidates. We visit the city, check the site the candidate has in mind, and examine their financial resources and management team. Once we award a franchise, we support it well. Even in the



Aurora Auto in St. Petersburg



Pelikan-Auto in Moscow



Navara was named 2006 Car of the Year

regional markets, our goal is for annual sales of 1,000 units.

Many consumers here want cars but have limited earning power, so the need for financing is correspondingly high. Thirty percent of our sales were financed last year, and that percentage is growing continuously. Interestingly enough, no manufacturer currently has a captive finance operation here, largely because it takes as long as two years to get a banking license in Russia's protected finance market. We worked with Renault and their sales finance entity, RCI Banque, to develop a dedicated finance product for Nissan. We began offering this product in April through a foreign-capitalized local bank, International Moscow Bank.

The total car and LCV market in Russia is about 1.5 million, and last year foreign brands accounted for 600,000 of those units. Moscow represents roughly 60 percent of the market, and St. Petersburg around 10 percent. Foreign models have driven market growth the past three years, and we anticipate a 45 percent jump to above 800,000 units in fiscal 2006. Our original business plan for this fiscal year was to sell 60,000 units, but we've already revised that upward, and could reach around 70,000 units.

The thing I'm happiest about in 2006 is that our 4x4 lineup is so strong. We now have five models—Patrol, Pathfinder, Murano, Navara and X-TRAIL—and all are selling well. The 4x4 segment in Russia is huge, more than 20 percent of the total market. Russians prefer a tough, maneuverable vehicle with good visibility, because six months a year you're driving in snow, and even in the cities road conditions are bad.

This spring we also launched the Note and the Almera Classic. The Note has already earned fine reviews. So has the Almera, a compact that is our highest-volume model in Russia, representing around 45 percent of total sales. It's produced in Korea by Renault Samsung Motors—the first Japanese-branded model supplied from Korea. We're bringing the Teana to market in July, built to specifications applicable to Russia. We have high hopes that the Teana will help us regain a strong presence in the premium segment.

We will also officially launch the Infiniti this October, taking advantage of a luxury market that grew 70 percent during the first four months of 2006. I say "officially" because the gray market was already importing Infiniti from the United States. We're even stocking Infiniti spare parts because customers were coming to Nissan dealers for help.

I'm basically quite optimistic about the Russian market's future, which is still far from mature. If oil prices remain at current levels, the economy should be fine. A big price drop would be a blow, however, because Russia is so dependent on the oil and gas business.

Managing the market risks Russia poses requires a diversified portfolio, including luxury cars, compact cars and affordable entry-level models. Because of the market's great potential, we're investing in a new manufacturing facility in St. Petersburg. Construction begins next spring, and we'll start production in early 2009 with an initial capacity of 50,000 units. Currently we're discussing which models we will produce, and how many production lines we'll have.

Entering a New Market at a High Level



YOSHIE MOTOHIRO
Managing Director
Nissan Motor India
Pvt. Limited

We established our corporation in India just a year ago, and currently sell one model, the X-TRAIL. People in India know about Nissan as a global company and about Mr. Ghosn, but they don't really know we're selling cars in India yet. Nissan is committed to the

Indian market, however, and we see a lot of potential here.

The total industry volume in India exceeded one million units in 2004 and 2005. The compounded annual market growth rate for the last decade was 11 percent. This figure is supported by a really good economy and stable government policy. India's GDP growth rate averages 7 or 8 percent annually, and the government expects that to continue for at least three or four years. By 2010, we believe the total industry volume will exceed two million units.

By introducing the X-TRAIL, which is both a luxury vehicle and a leisure vehicle, we're building a brand image of high quality and technological superiority. We are targeting wealthy families, who typically buy the X-TRAIL for a combination of leisure and everyday use. The X-TRAIL is often the fourth or fifth car a family purchases.

Because the X-TRAIL is a completely built unit, or CBU, we have to pay 111 percent duty. The duty on "completely knocked down" or CKD models, which are assembled in country, is only 38 to 48 percent depending on engine displacement. The price positioning is therefore totally different. We had five dealers at the end of last year, and together they sold 160 units in fiscal 2005.

One advantage is that we sell a diesel version here, which our competitors do not. That's important in the Indian market; everyone is keying on fuel consumption, and diesels are very popular because the fuel price is so competitive.

Of course we're not satisfied with selling just one model. We want to enter higher-volume segments, meaning the more moderately priced A, B, C and D segments. Geographical expansion is one of the breakthrough activities under the Nissan Value-Up plan, and although China is the top priority, I believe India comes next. We recently announced our business collaboration with Suzuki, including sharing manufacturing facilities, starting at Suzuki's plant here.

During the year since our corporation was established, we have grasped the in-depth realities of India's market and have factored them into our future strategies. We're now completing a feasibility study on how to fully enter this market, and will finalize our plans very soon. Nissan has the resources to proceed very quickly after that.



X-TRAIL at Auto Expo



Aquest Auto Pvt. Ltd in Mumbai



Nissan Motor India employees

FISCAL 2005 FINANCIAL REVIEW

NISSAN ACHIEVED RECORD REVENUES, OPERATING INCOME, NET INCOME, SALES AND PRODUCTION VOLUME IN FISCAL 2005. CONSOLIDATED NET INCOME TOTALED ¥518.1 BILLION, UP 1.1 PERCENT, A RECORD FOR A SIXTH CONSECUTIVE YEAR. GLOBAL SALES REACHED A HISTORIC HIGH OF 3,569,000 UNITS, A 5.3 PERCENT INCREASE IN A FIERCELY COMPETITIVE MARKET.

THIS WAS THE FIRST YEAR OF NISSAN VALUE-UP, THE COMPANY'S THIRD MID-TERM BUSINESS PLAN, AND MARKED OUR TRANSITION FROM THE REVIVAL PHASE TO THAT OF SUSTAINABLE AND PROFITABLE GROWTH.

Net Sales

Consolidated net sales came to ¥9,428.3 billion, up 9.9 percent from last year. Favorable changes in foreign exchange rates resulted in a ¥301 billion improvement. Changes in the scope of consolidation, such as the inclusion of Calsonic Kansei, added ¥117.8 billion.

Operating Income

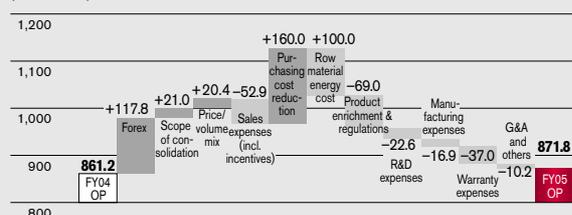
Consolidated operating profit improved by 1.2 percent from last year to a record ¥871.8 billion, resulting in an operating profit margin of 9.2 percent. The following factors affected operating profit:

- Foreign exchange rate fluctuations produced a ¥117.8 billion gain for the year. Of that total, ¥77.2 billion came from the appreciation of the U.S. dollar against the yen. The appreciation of the euro resulted in a positive impact of ¥6.3 billion. Forex activity in other currencies brought in ¥34.3 billion, with trades involving the Mexican peso accounting for ¥15.3 billion.
- Scope of consolidation changes, primarily from the consolidation of Calsonic Kansei, had a positive impact of ¥21 billion.

- Price, volume and mix had a combined positive impact of ¥20.4 billion.
- Selling expenses increased by ¥52.9 billion, mainly due to the higher level of incentives, particularly in the U.S. market.
- Lower purchasing costs resulted in a contribution of ¥160 billion. However, we had to absorb ¥100 billion in additional costs from increases in the price of raw materials and oil.
- Product enrichment and the cost of new regulations had a negative impact of ¥69 billion.
- R&D expenses increased by ¥22.6 billion to upgrade technology and develop new products.
- Manufacturing and logistics expenses went up by ¥16.9 billion, reflecting the cost of added capacity and product-specific investment needed to support the seventy product launches during the Nissan Value-Up period.
- Warranty expenses had a negative impact of ¥37 billion, a side effect of growing sales and swift, proactive customer service actions.
- General, administrative and other expenses rose ¥10.2 billion.

Impact on Operating Profit

(Billion Yen)



Regional profits were modified by a global change of inter-company payments that favored Japan, which bears most of the company's engineering and global development costs.

Operating profits in Japan amounted to ¥390.4 billion, compared to ¥341.1 billion yen in the previous fiscal year. Profitability in the U.S. and Canada totaled ¥345.4 billion, a slight drop compared to the ¥379.7 billion in fiscal 2004. Operating profit in Europe rose from ¥56 billion to ¥67.2 billion. In the General Overseas Markets, which includes Mexico, operating profits came to ¥101.2 billion, up from ¥84.8 billion last year. Inter-regional eliminations resulted in a loss of ¥32.4 billion, mostly from unrealized profit on inventory.

Net Income

Net non-operating expenses totaled ¥25.9 billion, ¥20.4 billion higher than last year, largely the result of foreign exchange losses. Net extraordinary items totaled negative ¥36.9 billion, which actually represented an improvement of ¥25.5 billion from last year. The losses are mainly due to one-time changes resulting from a revision in Japanese accounting standards relating to the impairment of fixed assets. These losses were offset by a gain from the sale of Nissan Diesel shares to Volvo.

Pre-tax income was ¥809 billion. Taxes totaled ¥254.4 billion, representing an effective consolidated tax rate of 31.4 percent. Minority interests, which are profits from fully consolidated companies that Nissan

does not own outright, such as Calsonic Kansei, Aichi Kikai and Nissan Shatai, amounted to ¥36.5 billion. Net income totaled ¥518.1 billion, an increase of ¥5.8 billion over last year.

FINANCIAL POSITION

Balance Sheet

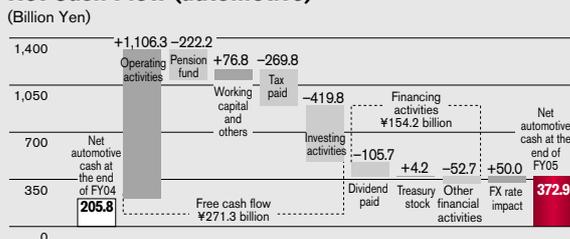
In 2005, Nissan's total consolidated assets went up by 16.6 percent to ¥11,481.4 billion.

Current assets increased by 17.2 percent from ¥5,139.4 billion to ¥6,022.3 billion. The main reason was a ¥562.3 billion increase in sales finance receivables. Fixed assets increased by ¥750.6 billion to ¥5,458.7 billion, a 15.9 percent rise. There was a ¥641.9 billion increase in property, plant and equipment asset value thanks to capital expenditures of ¥475 billion and foreign exchange gains of ¥228.6 billion.

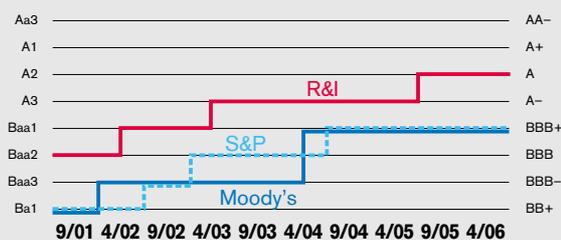
Current liabilities went up by ¥877 billion, or 22.1 percent, to ¥4,851.7 billion. This included an increase in short-term borrowings of ¥664.5 billion for sales financing and foreign exchange activity of ¥198.5 billion.

In fiscal 2005, total shareholder equity increased from ¥2,465.8 billion to ¥3,088 billion. This rise was primarily due to net income of ¥518.1 billion, offset by ¥105.7 billion in dividends paid. Consolidated shareholder equity represented 32.8 percent of total revenues and 26.9 percent of total assets.

Net Cash Flow (automotive)



Corporate Rating



Automotive Net Cash Change

Cash from operations totaled ¥1,106 billion. Despite a lump-sum contribution of ¥222.2 billion to Nissan Group pension funds, working capital and proceeds from asset sales helped to generate free cash flow of ¥271.3 billion. Cash from financing activities totaled ¥154.2 billion, including ¥105.7 billion for dividend payments.

We had a net cash position of ¥372.9 billion at the close of fiscal 2005, which represented an improvement of ¥167.1 billion compared to the beginning of the fiscal year.

Credit Rating

R&I had Nissan's long-term credit rating listed as A as of May 16, 2006. S&P upgraded our rating from BBB to BBB+ on July 20, 2004, and Moody's upgraded us from Baa3 to Baa1 on January 29, 2004.

Investment Policy

Capital expenditures decreased by ¥2.5 billion to ¥475 billion, or 5 percent of net revenue. This included the investment needed to complete the new Dongfeng Nissan Technical Center. R&D expenditures increased by ¥49.5 billion to ¥448 billion. The funds were used for developing new technologies and products. Our R&D resources are focused on projects that will add value for our customers and deliver an expected return in both the short and long term.

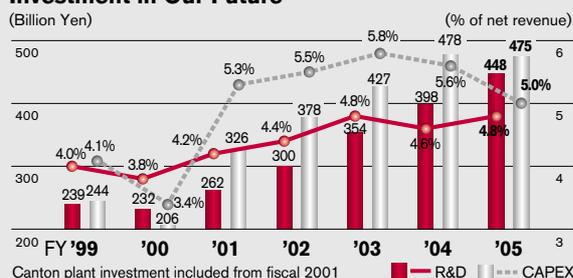
Dividend

At the annual general meeting of shareholders on June 27, 2006, the company proposed increasing its dividend to ¥29 per share in fiscal 2005, up from ¥24 in 2004. In fiscal 2006, the second year of the Nissan Value-Up dividend policy, the company plans to increase dividend per share to ¥34. By the end of Nissan Value-Up in March 2008, Nissan intends to pay an annual dividend of no less than ¥40 per share.

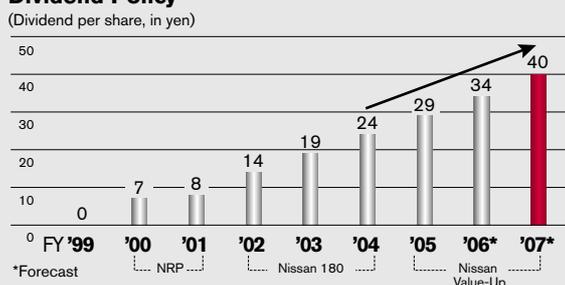
Return on Invested Capital

Nissan's investments are made within the strict guidelines of its automotive operating return on invested capital (ROIC). Based on these guidelines, Nissan reached 19.4 percent at the end of fiscal 2005. This is in line with our ROIC commitment to average 20 percent over the three-year period of Nissan Value-Up.

Investment in Our Future



Dividend Policy



FISCAL 2005 SHARE PERFORMANCE

DESPITE NISSAN'S RECORD OPERATING RESULT IN FISCAL 2005, ITS MARKET-ADJUSTED STOCK PERFORMANCE WAS NEGATIVE. THE ROLE OF OUR INVESTOR RELATIONS TEAM IS TO BETTER ADDRESS THE NEEDS OF INVESTORS AND ENHANCE THEIR UNDERSTANDING OF NISSAN'S PERFORMANCE. WE ARE COMMITTED TO ENSURING THAT INVESTORS ARE ABLE TO GAIN A MORE IN-DEPTH VIEW OF THE COMPANY'S OPERATIONS AND PERFORMANCE INDICATORS.

Share performance in fiscal 2005

Nissan's share price began at ¥1,099 at the end of fiscal 2004 and ended fiscal 2005 at ¥1,398, generating a positive return of 27.2 percent. With the dividend of ¥29, total return to shareholder (TRS) was a positive return of 29.8 percent. On a market-adjusted basis, however, our performance was negative. Since our product cycle was at a low point, our profit growth has declined. As a result, we assume that has made investors less confident about our future. While it is true that our financial result was not strong enough, there are many activities going forward which are not reflected in our current result. In this report, corporate officers explain what actions Nissan has undertaken and will undertake to ensure better performance for the future.

Payout Policy

Nissan announced its Nissan Value-Up three-year dividend policy, covering the period from fiscal 2005 to fiscal 2007, at the annual general meeting of shareholders on June 23, 2004. Nissan proposes a long-term dividend policy to give more visibility and improve transparency into the ways in which Nissan rewards its shareholders. Nissan believes that a long-term dividend policy reduces uncertainty for

investors who already own or are considering acquiring Nissan stock.

IR Activities

Under Nissan Value-Up, the IR team's performance will be evaluated based on the price-earnings ratio (PER) and volatility relative to our major competitors. PER is used to measure how successfully the IR team can manage market expectations about Nissan in order to maintain the Nissan share price close to an intrinsic value. The other measure, volatility, is used to measure the risk perceived by investors in Nissan stock. If Nissan can successfully reduce volatility, the minimum return required by investors should decline. The IR team believes that a strengthening of disclosure activities is required to improve both measures. The team plans to disclose not only financial results but also more forward-looking information about Nissan fundamentals such as technology and product. Such forward-looking information helps investors forecast future performance more precisely and reduces uncertainty about the future. In addition, our top management team will increase their availability to communicate directly with investors. We believe that will further enhance investor understanding of Nissan's future strategy.

Fiscal 2005 Share Performance

(Index: March 31, 2005=100)



Five-Year Share Performance

(Index: March 30, 2001=100)



Growth Momentum

SUREFOOTED, SUSTAINABLE GROWTH IN A VOLATILE MARKETPLACE—IN JAPAN, NORTH AMERICA, EUROPE AND OUR GLOBAL OVERSEAS MARKETS, NISSAN CONTINUES TO SET AGGRESSIVE GOALS FOR REGIONAL DEVELOPMENT AND THEN MEET OR SURPASS THEM. NEW TERRITORIES, NEW NEEDS, NEW OPPORTUNITIES. WITH OUR RECOVERY COMPLETE, WE CAN NOW ASSESS A WEALTH OF EXPANSION OPTIONS FROM A STANDPOINT OF STRENGTH.







Putting on the Right Moves for Profitability

Nissan North America, including the Nissan and Infiniti divisions, sold well over a million cars in fiscal 2005, which represents 6.1 percent growth year over year. What's most impressive about this was that we didn't have any new product launches, and did it in an industry environment that wasn't particularly strong.

The total industry volume for fiscal 2005 was around 16.7 million. That sounds pretty good, but for part of the year our domestic competitors were driving sales with heavy incentives, which overheated the market. One of the things we were proudest of is that after they began pulling back on the incentives we didn't have a significant hangover. Sales were a bit soft for about a month, and then we got right back to hitting our targets and had a good year.

The fuel price situation has naturally affected sales. In October and November we had a spike in gas prices similar to what we're seeing now. The Armada and the full-size SUV segment suffered more than the conventional pickup segment did, since many people are buying because their work involves their vehicle.

So, while there was a temporary downturn in conventional pickups, they came back quicker than the full-sized SUVs. People are choosing different and smaller SUVs. You still see that change in the SUV mix.

With fuel prices rising, we are coming in with a fuel-efficient, entry-level car. One of Nissan's key advantages since the turnaround is that our profitability allows us to address these segments faster than we could before—if we even could have before.

During this period we were relocating our headquarters to Tennessee. While this has been characterized primarily as an improvement in our cost efficiencies, there are many other operational benefits for us. We're taking it department by

department, and should be in place by the end of July. Because we're moving thousands of miles across the country, not just moving up the street, people had to make life decisions. However, a substantial number of our employees decided to come along. If you look at the marketing and sales staff, product planning staff, and parts and service staff—our faces in the field—it's around 50 percent.

We're pretty pleased about those figures, especially when we compare them to what other companies have experienced when making a move of this magnitude. We have actively recruited to fill the vacancies, and because of the strength of Nissan we received more than 40,000 resumes from people inside and outside the auto industry even before the move actually began. I believe we will benefit from the new blood in a lot of ways.

The U.S. market should remain strong in fiscal 2006, and I estimate the total industry volume will be between 16.5 and 16.9 million. We're projecting a little over 2 percent growth for Nissan and Infiniti combined. The first six months will probably be flat or slightly down, but we'll have new products coming out virtually every month in the latter half of the year and should begin showing our year-over-year gains.

Like Nissan is doing globally, NNA is seeking out segments where we aren't a factor yet and going after them systematically. But we have to do it in a Nissan way and an Infiniti way. That means making sure customers will welcome the product, and that the product is unique in some way that blends with our brand. Versa gives us an opportunity to do this, and we believe the advantages of that vehicle over even our Japanese competitors will serve us well in the marketplace.

It's the same in every segment. We've got opportunities for line extensions with some of our products. We haven't finalized anything yet, but we think there are areas that present interesting



possibilities, such as light commercial vehicles, which we haven't exploited yet.

The Nissan brand and Infiniti brand each have their own distinct positioning, but the common denominator is edgy, dramatic design and performance. Every Nissan and Infiniti product has its own distinct advantages. For example, the Versa gets excellent gas mileage but is one of the biggest cars in its class, so you can actually carry your family in it comfortably. What we bring out is always a little off to the side in each segment, and that's what makes a product much more successful.

Since the turnaround, I believe we've rediscovered the DNA of the Nissan brand. One of the best examples is the new Altima that's coming out soon. The previous model set itself apart from the pack, and we went on to sell a quarter of a million of them. It's the first Nissan model we've ever sold so many of in the U.S. Recent moves by our competitors have opened some space for us in the sporty design arena of this segment, and we're going to grow the space even bigger.

Looking a little farther ahead, although the GT-R won't be a major volume segment when it arrives in the U.S. in 2008, it will create a lot of buzz in the marketplace. We got a glimpse of that recently when we gave our U.S. dealers a surprise look at the car. We'd brought all five of the new vehicles for fiscal 2006 out one by one and done our marketing spiel

to get the dealers pumped up. As they were walking out through the stage to the place where the drinks and food were laid out, there was the GT-R, up on a riser. There was a real buzz in the room.

The GT-R has enormous appeal for a finite audience, but what it will do for the brand is get lots of people talking about Nissan. The GT-R is already recognized globally as a tremendous performance car. And it's known as a Nissan, linked to the Z. It's going to be a wonderful "halo" car for us. It gives us an opportunity to extend the buzz surrounding the Z, which is a brand icon for us in the States. We'll be able to take that up a level, solidifying the brand's performance aspect. We're looking for it to boost showroom traffic, too, and expect to see Z sales affected positively when people visit the dealerships.

When we were doing the Quest and Versa ride-and-drive in Nashville there was one quote in the speech that really struck me. The observation was that many companies making the kinds of changes we are such as moving across the country—are doing so during times of crisis, but we're making them in a time of strength. The company has graduated. Before, we were in crisis, and then in the comeback mode. Now we're stable and profitable. It demonstrates that we're not only competitive and strong today but positioning ourselves to have sustained growth in the U.S. in the future.



NNA Headquarters Concept
(mid-2008 occupancy)



Sentra



Versa

NISSAN



A Record Year and a Fresh Look



BILL BOSLEY
Vice President

Fiscal 2005 was a record year for sales at Nissan North America and the Nissan Division. We gained share and sold over a million units—1,075,000 to be exact. That represented over a 6 percent increase from 2004. I also believe we

were the leading contributor in the company's record overall profitability.

From a market perspective, the U.S. looks stable, although rising gas prices have shifted a lot of consumer demand to smaller, more fuel-efficient cars. However, SUVs and trucks will still play a big role because of characteristics such as towing capability and load capacity, so I think the demand for them will remain strong.

We're bringing five products to market during this fiscal year, which is both a great opportunity and challenge. Two will be significant revamps of existing models, the Maxima and the Quest. And then we have an all-new Sentra and Altima.

The biggest news is that we'll have a brand-new car, the Versa, which will put us into the entry-level segment in the U.S. market for the first time. One big benefit when you bring people into the brand early on is that they can grow with it. The Versa should also bring in some former used car buyers. If they purchase a Versa, we hope they'll progress to an Altima, Maxima, one of our SUV models or an Infiniti as their lives progress.

The average Nissan buyer today is already among the youngest customer segments. One of the biggest challenges we face is retaining that particular segment, because they do tend to change

brands a little bit more often than older consumers. But it also has tremendous benefits because you're bringing in a trendsetter, somebody that's very attuned to emerging brands.

In our dealer network today we have approximately eleven hundred Nissan dealers, and we're pretty happy with that number. A main activity today in the dealer body is the "N-REDI" program, which is the visual branding of our retail stores—new signage and exteriors as well as new interiors, furniture, fixtures and floors. We have about 35 percent finished, and 50 percent under way.

Before the N-REDI program, we hadn't done a new visual identity-branding program for ten or twelve years, so it was time. And we never had standards; every dealership was different. We believe it is important for a strong and consistent brand presence in the market place and that is why we embarked on this activity. The before and after pictures demonstrate the significant differences between the places we're taking out, and the new ones we're replacing them with.

It's exceptional to see this in the marketplace; it's a very big statement. I think you need to have your facility make a bold brand statement when consumers drive by. I'm a bit biased, obviously, but when you drive down auto row and look at the other brands and their facilities, I think ours stands out.

Finally, we've been very consistent in our profitability, so we're a very stable company now. That stability allows us to make the necessary investments in future product and infrastructure, which is essential to staying competitive in this incredibly competitive business. We can also respond faster to consumer trends where other manufacturers may not be meeting their needs. You can see that in the new products we are introducing that are fulfilling unmet customer needs.

INFINITI



Pursuing a Global Level of Luxury



MARK IGO
Vice President

From a profit standpoint 2005 was a very good year, and we met the aggressive targets we had set. Sales were flat, though, with no new models. That was planned. We're moving the brand to the next level, and we need to look at our infrastructure. We've

outgrown our dealerships, and we need to expand in order to provide our high level of customer service to our rapidly growing base of new Infiniti customers.

Basically, we need to grow and reshape our dealership's footprint. When Infiniti was launched in 1989, we had four-car showrooms with six or seven service bays. That's adequate when you're selling forty thousand cars, but last year we sold 133,000, and we will grow tremendously over the next few years. We don't need a big footprint to display and sell our vehicles, but we do for service. Luxury customers won't wait for service, and they shouldn't have to. So we revamped around twenty facilities last year, and plan to have major expansions at about forty dealerships in the coming year. These are major expansions, such as increasing the number of bays by four to five times a dealership's current capacity. When you get all these people coming in for their regular servicing, you need those technicians and bays.

The root of the vine must be strong, and that's our dealer network. We have about 180 dealers now, and see 200 as our limit. In fiscal 2005 our biggest challenge was continuing the launch of the M sedan, which raised our transaction prices from the mid 30,000-dollar range to over 40,000 dollars. We told

the dealers to get ready—that higher transaction price brings higher demands.

The typical Infiniti buyer is one of the youngest and best educated in the luxury market. They don't have a preconceived notion of luxury, and they're as interested in the technology and styling and what it says about them as they are in the badge. I think that's why the G sedan with the Studio on Wheels will be successful, because they'll view it from an audiophile's standpoint. It'll be fun to drive, with great performance, but offer something a traditional luxury car doesn't.

We want to resonate with that younger buyer, and hopefully they'll grow with us. All our brand opinion and awareness metrics have risen consistently.

Our technology edge and younger customer base have made us number one in online shopping. Since our customers know a lot before they visit the dealership, it's not always a ten-step sales process; they may be at step seven. Being able to recognize that is a real key.

We're very bullish on the future of the U.S. luxury market. The quality of our new products is bulletproof. The second-generation G is a beautiful evolution, and it's going to give people driving competitor makes a reason to switch. The crossover segment is the one I'm watching, because it's influenced by gas prices and what's new to the market.

We also now realize that luxury is truly global. People around the world have the same standards and expectations, and that's communicated worldwide. For example, Infiniti went into Korea and we're now seeing benefits in California. Once we're in China and Europe, I think we'll see even better sales along the East and West Coasts. That awareness will boost our image as a global luxury brand.



Record Profits in Europe Set the Stage for Expansion

In fiscal 2005, Nissan Europe delivered a record operating profit performance, going from 56 billion yen the previous year to 67.2 billion yen. There were three main reasons for the positive performance: a significantly improved product mix—we're selling more big cars compared to our total volume—lower manufacturing and purchasing costs, and tightly controlled general and administrative expenses.

We successfully launched several large cars such as the Pathfinder SUV, Navara pickup and the Murano, in 2005. These products, which did not exist in the lineup in fiscal 2004, made an important contribution to the expanded profit margin.

Manufacturing played a big role in these successful launches. The Barcelona plant in Spain produced a record number of vehicles in 2005, including Pathfinder and Navara as well as light commercial vehicles for our alliance partner, Renault. This performance has helped to substantially decrease our manufacturing cost per unit.

In the area of general and administrative expenses, we have been controlling costs better. We achieved significant benefits in the first year of implementation of the Global Service Efficiency program, which involves offshoring non-core tasks and simplifying and streamlining many of our support processes.

Our total sales volume for the year was flat overall—541,000 units compared to 544,000 in fiscal 2004. Very strong sales in Russia offset declines in Germany and Italy. Other countries were basically in line with our business plan, with a slight rise over the previous fiscal year.

In Germany and Italy we suffered from weak sales distribution networks. In both countries we found we had too many dealers, too many small dealers, and too many dealers performing poorly. Often, our dealers were not in the locations needed

to support the distribution of our new product plan.

As an example, in Italy, Nissan was over-represented in the south of the country, and poorly represented in the north where markets like Milan are very attractive for our premium cars.

In Germany, the situation was similar: we were overrepresented in rural and suburban areas and had a limited presence in major metropolitan markets like Munich. In January of 2006, we began a major restructuring of our German distribution capacity which should bring bigger dealers with a better capacity to invest in the Nissan franchise and therefore deliver a much higher level of satisfaction to our customers. The sales performance in the first months of 2006 is very encouraging.

In addition, we undertook several geo-marketing studies in 2005 to determine what our ideal distribution footprint should look like, consistent with the renewed product plan. The resulting map shows opportunities in major metropolitan areas across all countries in Western Europe.

Our growth has been very strong in Russia where our presence was very marginal only three years ago. Despite this early success, we believe that Nissan's potential is much higher. In early 2006, the decision was made to capitalize on our growing presence and build a new manufacturing plant in St. Petersburg to produce cars for the local market.

Additionally, as part of the Nissan Value-Up plan to expand Infiniti to a global tier-1 brand, we will launch in Russia in the fall of 2006. This decision is a stage-setter for a planned simultaneous launch of the Infiniti brand in all Western European markets in late 2008.

For a long time everyone has used the European market's complexity to justify having a complicated organization. We're trying to prove through several initiatives that this is unnecessary. For example, we've reduced our legal entities across Europe from



thirty-six to fifteen. That eliminates administrative overhang and frees up resources to better serve our customers with products and services that are relevant to them.

Regional business units are part of a new business model meant to cope with this complicated and costly market. The arrival of new countries from Eastern and Central Europe into the European Union only reinforced the necessity to create a new business model.

Instead of having a sales company in every national market, we decided to use regional hubs. The Central and Eastern European hub, which is located in Hungary, for example, oversees branch offices in Poland, Slovakia and the Czech Republic in addition to its own market. We implemented the same organization in the Nordic region—using Finland as a base for Denmark, Norway and Sweden. In the east, a company in Russia handles our business needs in the Ukraine and Kazakhstan.

In each of these cases we have increased our effectiveness in sales and marketing and, by operating with streamlined and standardized systems and processes, improved our administrative efficiency.

Nissan's brand recognition in Europe is still low, but improving. In the past, too many of our products attempted to copy mainstream European brands and fell short in expressing Nissan's personality. That's changing.

We've reinforced the 4x4 SUV side of our lineup with the Pathfinder and the Navara pickup, giving us

the strongest and fastest-growing range in Europe. We are also the clear market leader in pickup trucks—four out of every ten pickups sold in Europe is a Nissan. Murano is highly successful as Nissan's first crossover in the European market and will soon be followed by other cars in this profitable segment.

In the fall of 2006 we will also launch an all-new light-duty truck, the New Cabstar. This is a real event for our chassis-cab plant in Avila, Spain, as well as for our expanding light-duty truck network.

In the passenger car segments, many of the more traditional models, such as Tino, Almera and Primera, entered into their last months on sale. But the renewal of the lineup has already started with the new Nissan Note, manufactured in Sunderland, UK and launched in February 2006. Its first months of sales have exceeded expectations.

The excitement and buzz surrounding the brand is growing as we approach the Paris Motor Show in September, where we will reveal the production version of the Qashqai crossover concept car. This vehicle will play an important role in defining the new face of Nissan in Europe.

Our Alliance with Renault continues to present valuable opportunities for expanding synergies in many areas ranging from shared services, IT, sales finance with Renault Credit International, light commercial vehicles and diesel engines. The latest initiative in this field will see the new luxury diesel engine developed by the alliance being fitted in Infiniti cars in Europe.



Pathfinder



Murano



Note



China

Growing Fast in a Complicated and Competitive Market

Selling both passenger and commercial vehicles, it was a very fruitful year for us at Dongfeng Motor Company, which is a 50-50 joint venture between Nissan and China's Dongfeng Motor Group. Our passenger vehicle sales volume was 158,000 units—2.6 times more than in fiscal 2004. This represents the number one growth in the market. We also received more than forty awards, including Car of the Year for Tiida and the top ranking in the J. D. Power Asia Pacific 2005 China Customer Satisfaction Index Study.

Overall, the passenger vehicle market fell within our expectations, with total growth of about 25 percent. While very healthy, compared to the nearly 70 percent rate of fiscal 2003 that was not outstanding. Still, few markets can claim even a 20 percent increase.

Three vehicles were our main engines of growth during fiscal 2005: The Teana, which we introduced in September 2004, and the Tiida sedan and hatchback launched in 2005. All three have gained favor in the market. The Teana moved ahead of its main rival, and the two Tiida models offer some desirable values to customers in the mid-sized segment. In June we introduced the Sylphy, positioned between the Teana and the Bluebird.

On the commercial vehicle side, the total industry volume was down, particularly in the mid- and heavy-duty truck market. Although everyone suffered, our commercial vehicle division did take the number one share in China in that market. Our LCV business was extremely good, growing more than 40 percent in volume. Fiscal 2005 was a very good step for future growth, and confirmed the company's solid base here.

Commercial vehicle customers are very business-oriented, and buying a truck is a serious investment. China's latest five-year economic development plan

ended in 2005, and the government often changes policies at this juncture. If customers don't have solid confidence in the future, it's very natural for them to hesitate. This was one of the factors that contributed to the slowdown in the mid- and heavy-duty truck market last year.

Another cause was due to macroeconomic control measures by the government. The economy was also overheated, especially in real estate investment, and there were some environmental problems. Based on the overheated economy, many new customers had already bought trucks in fiscal 2004, but businesses began struggling from the second half of last year.

Customer expectations are also changing. Now people are either moving up to heavier trucks or down to LCVs. In May 2006, we released a new heavy-duty truck called the Tianlong. Incorporating Renault Trucks' 11-liter diesel engine and Nissan Diesel's cabin technology, the Tianlong was designed for customers seeking a reliable vehicle for long-distance hauls and heavy transport.

As for passenger vehicles, to realize the volumes we want, we need to expand our dealership network. We figure that one dealer can sell up to 2,000 units. However, increasing sales beyond that will not be easy even in big cities like Shanghai and Beijing, because our dealers in China sell on average 800 units per year. In order to sell more than 300,000 units, we need 400 dealers. Last year our target was 250, and we achieved that. This year, we're going for 350. By 2007, we'd like to have 400 dealers. We already have at least one dealer in each province, including Tibet. Now we're trying to place dealerships in medium-sized cities in each province.

We are concentrating heavily on localization efforts in order to achieve cost competitiveness. We decided to establish a dedicated R&D center in Guangzhou, for example, to test chassis and bodies,



as well as assess plastic parts for weather-related durability in conditions of heat, humidity, low temperatures and so on.

We also started producing 1.6- and 2.0-liter power plants at our new engine plant in February this year. These are volume-selling engines in the China market. The plant will initially be producing 180,000 units a year, but will eventually have a capacity of 360,000 units. We are already using locally produced 1.6-liter engines in the Tiida. The quality of these localized engines is very competitive even when compared to those made in Japan.

We are planning at least one or two passenger vehicle launches a year. Because of these planned annual product launches, we need to expand production capacity. We have capacity in Guangzhou of 150,000 vehicles, and we've already decided to boost that to 270,000 units. The next expansion after that will be 360,000 units.

We typically have two growth scenarios, one a conservative or pessimistic scenario and the other optimistic. Even for the more pessimistic one, it is natural for us to want to invest more, because the market is growing. The timing of investment, however, does create some risk. It's very natural for a country like China that's growing rapidly to present

up and down market conditions, so our policy for investment is step by step and based on the potential return on invested capital or ROIC.

The main difficulty in China is not the market growth but the severity of competition. Almost all the global makers are here and have growth strategies, and have either invested or plan to do so. China's national brand is also making some progress.

The heart of our strategy involves enhancing the Nissan brand for passenger vehicles and Dongfeng for the commercial ones. In the first area, we're promising challengers, and in the second, we're champions. The Dongfeng name is already a great asset, and Dongfeng customers are very loyal to the brand.

Our relationship with Dongfeng is a major asset in this very competitive market, the backbone of our future development in China. It has come to resemble the close one Nissan has with Renault. I am confident that this relationship will bring us continued success in China.

Our most recent news is that we have relocated our headquarters to a new facility in Wuhan, the capital of Hubei Province. This is something we had planned to do when the joint venture was formed three years ago. Now we are ready to grow DFL into a globally competitive car manufacturer.



Nissan dealership in Guang Da



The new Dongfeng Nissan engine plant (Huadu)



Unveiling the new Sylphy



Asia/Oceania

Following Up on Promising Beginnings

GOM's performance was relatively good in fiscal 2005, with total sales of over 800,000 units. While the oil price hike and a lack of new Nissan products caused some regions to lag, we're expecting very rapid growth during fiscal 2006 in countries like China and Pakistan. In fact, we should pass 900,000 units overall.

We have been conducting feasibility studies on expanding further in Pakistan and India. Total demand in Pakistan, starting from almost nothing, reached about 160,000 or 170,000 units last year. The India study is nearly finished, and we will announce our plans for that market soon.

In Australia, total industry volume stayed solid at close to a million units. Nissan is strong as an import carmaker in Australia, and we recently introduced a series of new products—the Pathfinder, Murano and Tiida—which will surely sustain our sales momentum in the Australian market.

Right now there are a lot of “multi-franchise” dealers in Australia selling several brands out of the same showroom. One of our initiatives is to establish more exclusive Nissan dealers. We're linking this effort with our new visual identity program of dealer facility, and encouraging dealers by partially subsidizing the showroom renewals.

Last July we introduced the Infiniti in Korea, the first time we've marketed the brand outside of North America. There was no Nissan network in Korea, and the network and sales company were brand new. Although the volume is still low and we have just three dealerships, we were in the black and sales are steadily going up.

We also managed a win-win with Renault in Korea. Early this year we started exporting a Renault Samsung model called the SM3, with a Nissan badge on it, to the Gulf countries, Latin America and Africa. Renault secured production volume, and we

got a model that will allow us to compete in this cost-conscious market segment.

We have several initiatives to generate momentum in GOM territories. One is private financing, which is an area of hot competition among market entrants. We just established a new retail finance company in Thailand, and Renault's finance company in Korea, Renault Credit International, offers service for Infiniti customers. I think financing will strengthen our car business.

We are also transferring some marketing and sales functions from Tokyo to the regions. Last year, we established a regional headquarters for Asia in Singapore. They have a better sense of their territory and can react faster to market changes, and we save G&A expenses because expenses are relatively low.

We will have five new products in fiscal 2006, including the first global model to be released in China before other markets. This is a strategic car because it is both cost-competitive and will meet a wide array of customer needs. We realized that need in the 1990s but couldn't afford to address it then. Now that our GOM sales are nearly double what they were in 2000, and volume is rising steadily, we're ready to invest. We are certain we will recoup our outlay through revenue from GOM.



Livina Geniss

GILLES NORMAND
Corporate Vice President



Middle East, Africa, Latin America and the Caribbean

Making Intelligent Choices in a Rich and Highly Diversified Market

Fiscal 2005 was the sixth straight record-breaking year for Nissan in our GOM region. Our business grew about 19 percent overall. The growth was led by a 24.1 percent rise in Latin America and the Caribbean and a 21.4 percent jump in volume in the Middle East. Since geographical expansion is one of the four business breakthroughs under the Nissan Value-Up plan, we are encouraged by this success.

Driving our geographic expansion are lineup enhancements and lean yet significant industrial investments that lend us the power to attract new customers in these regions. Firstly, in Egypt, we took control of our local operations, invested significantly and started local production of the new Nissan Pickup. We sold more than 4,500 vehicles—nine times the 2004 volume—and aim to exceed 10,000 units in fiscal 2006. The second locally made product—the Nissan Sunny—is already in production, and later this year we will start manufacturing a third product, the acclaimed Nissan X-TRAIL SUV.

Secondly, our strong ambitions for South Africa are materializing as we expand our lineup there, including a new locally produced model. During fiscal 2005 we began completely transforming the way we make vehicles and manage the plant in South Africa.

Thirdly, our momentum in Latin America and the Caribbean has been moving us forward during the past five years. There, and in the Middle East, we've taken advantage of buoyant local economies prospering thanks to oil and raw material price increases. Pickup trucks, SUVs and crossovers are clear favorites in all these countries—segments of the market where Nissan enjoys a strong image. We are also broadening our lineup in other product segments. For example, we are expanding our passenger car lineup with the Nissan Tiida, which will attract a new and younger customer to our brand.

Turning to the Infiniti, we are pleased to have contributed to its development as a global tier-1 brand. Sales volume grew eightfold in the Middle East to around 3,700 units thanks to the lineup expansion, particularly the very popular M45, and the deployment of dedicated Infiniti outlets.

In addition to geographic expansion and Infiniti development, we have undertaken far-reaching activities to enhance Nissan's brand value in the GOM region. To accomplish this, GOM has been undergoing a "silent" yet deep business transformation the last few years, shifting our mindset, behavior and standards upward both internally and externally. Extensive work has been performed to improve dealer standards, retail environment and customer handling.

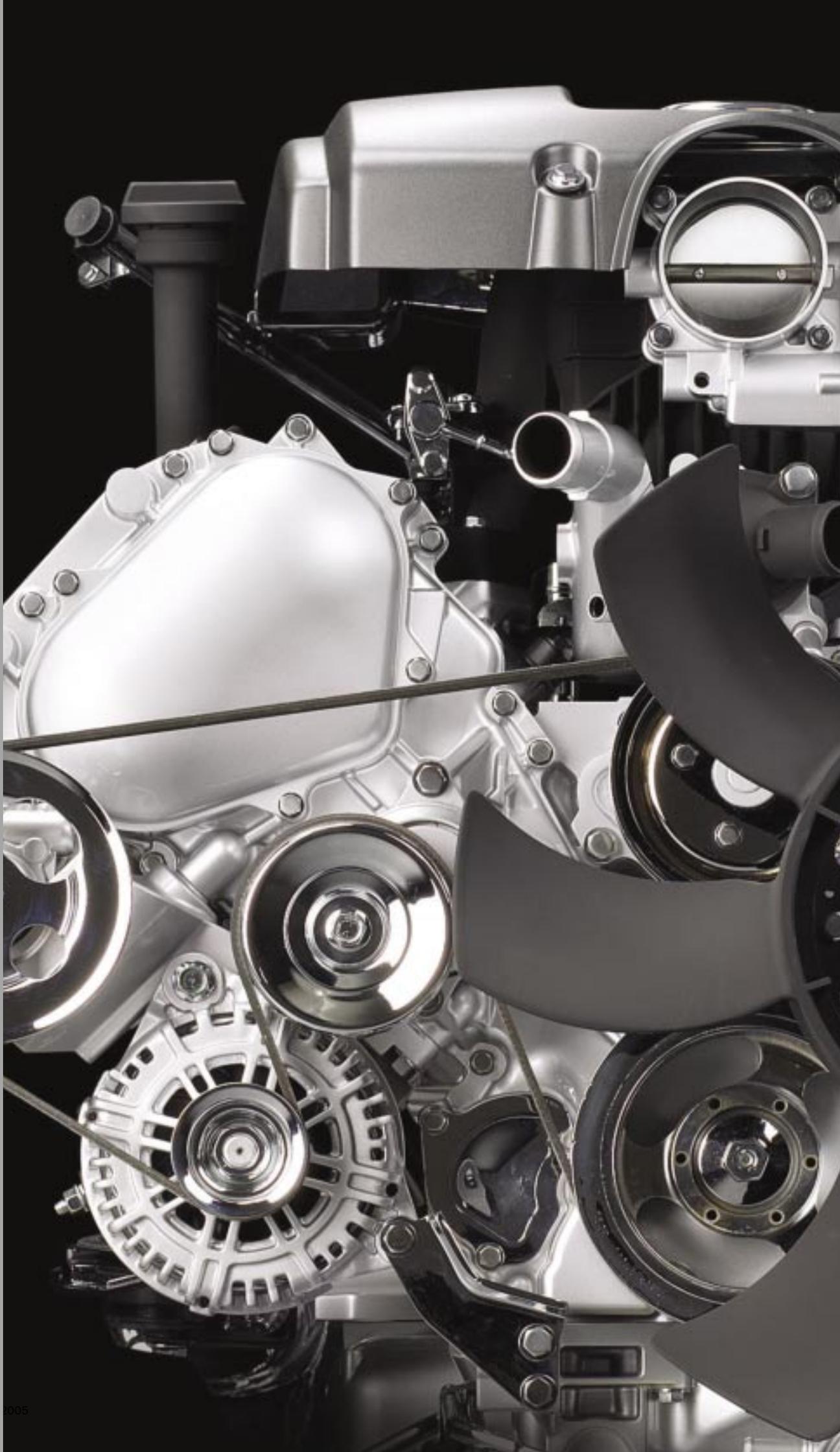
These actions have effectively leveraged the ongoing hard investments in our new retail visual identity and facilities worldwide. One welcome result is the Synovate Platinum award we won in South Africa for outstanding performance in the competitive customer satisfaction index. In 2005, we also tracked competitive survey results in 17 countries. We ranked in the top three in the sales satisfaction index in ten countries and in 12 of them in the customer satisfaction index, an even tougher feat.

This shows what we are all about: combining strong, bold products with a top-of-class customer experience. In 2006, we expect to keep our momentum and break another record for GOM.



The world's largest Nissan showroom, in Oman

INVESTMENT FOR THE FUTURE





Investment for the Future

AS THE VELOCITY OF TECHNOLOGY RISES, NISSAN STANDS READY. OUR TECHNICAL KNOW-HOW, ALREADY WORLD RENOWNED, WILL DEEPEN AS WE COMMIT BILLIONS TO NEW R&D INVESTMENTS. WE ARE FINDING MARKETS FOR EXISTING NISSAN TECHNOLOGICAL ASSETS AS WELL AS OUR BRAND. AND NEW FINANCING ARMS IN EMERGING MARKETS WILL GIVE CUSTOMERS EAGER TO BUY NISSAN QUALITY THE POWER TO DO SO.



Exploring Diverse Paths to Viable Future Technology

Nissan's technology development is based on what we call the "Orchard Concept," which has three layers covering the whole scope of our engineering. The top layer is the Harvest Plan, representing our products. The middle layer is the strategy, which you can compare to seeding and growth. The bottom layer is soil enrichment—how we support these activities and sustain production for the future. The ten thousand people in my department regularly examine all these layers.

Nissan's global business plans, such as Nissan 180 and Nissan Value-Up, cover three-year periods. That span is very manageable in scope, and fosters firm commitments and concrete achievements. We derive great strength from this strategy.

For R&D activities, however, three years is not long enough. We can develop vehicles that quickly, of course, but not core technologies like engines and powertrains, which typically take twice as long. So in fiscal 2005 we came up with the idea of a ten-year plan called Vision 2015. Vision 2015 has four different facets: safety, environment, dynamic

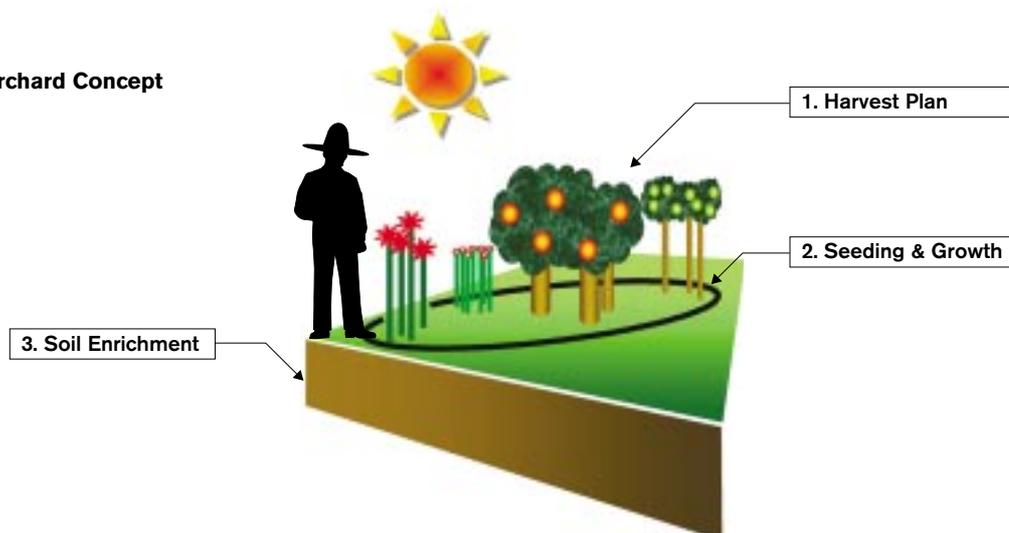
performance, and what we call "Life on Board."

One of our primary safety goals is to reduce the number of accidents involving fatalities and severe injuries. Our goal is to reduce the number of Nissan-related automobile accidents, resulting in fatalities and serious injuries, in half by 2015, as compared to 1995.

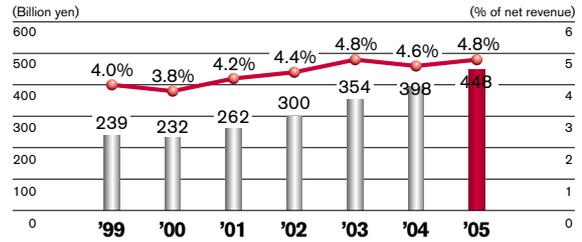
Our overall approach to achieve the goal is embodied by the "Safety Shield" concept. We have divided the accident environment into six categories: unforeseen risk, apparent risk, possible crash, unavoidable crash, actual crash, post-crash.

Previously we only looked at crash performance, such as how the vehicle protected passengers. Traffic accident trends indicate that fatalities are down significantly in Japan, but the number of accidents is rising, and our research shows that inattention, drowsiness and carelessness cause over 70 percent of them. We need to devise active safety measures that use the vehicle itself to help avoid accidents. Our "Distance Control Assist System" is a prime example of that. The system is especially useful in heavy traffic, where frequent braking occurs.

The Orchard Concept



R&D Investment



The system assists the driver control the distance between the driver and the vehicle in front, through the use of a radar sensor installed in the front bumper of the car behind. If the car in front decelerates, the system automatically applies the brakes in the rear car. Furthermore, if the system determines that the car in front is too close and that braking is required in the car behind, an indicator will appear on the instrument panel and a buzzer will sound simultaneously. The gas pedal will then automatically move upwards against the foot of the driver to assist the driver in switching to the brakes.

Our goal for the second facet of Vision 2015, the environment, is to reduce CO₂ emissions to the targeted value. Target value for technology development in CO₂ emission reductions is 40 percent by 2015, compared to 2005 level. To achieve this goal, we have a "Triple-layered Approach" concept that addresses the vehicle itself, driving behavior, and the traffic conditions.

We are currently developing fuel cell, electric and hybrid electric vehicle technologies.

Reducing the size, weight and cost of motors and batteries are the key factors in promoting HEV,

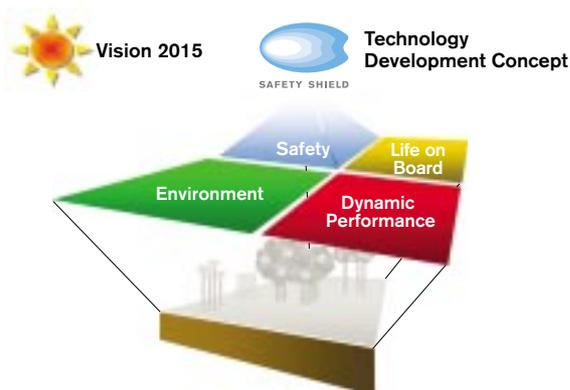
FCV, and EV. The lithium ion battery is a good example. We are ranked number one in research in this area, even above companies that specialize in battery manufacture.

We are also committed to fuel cell stack technology. We decided to develop our own after purchasing stacks from an outside vendor for a time, and managed that in fiscal 2005. Our first practical application came out this year.

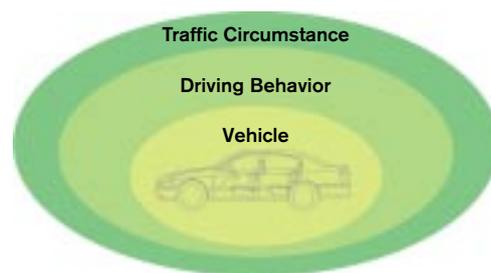
In addition to developing these advanced technologies, we continue to further strengthen our current technologies such as the CVT because we need to find a good cost-benefit balance. The CVT is a low-cost and effective solution in reducing CO₂ emission and another longtime strength of Nissan technology. Other car companies do use CVTs, but only Nissan incorporates them on models with higher-displacement engines such as 3.5-liter power engines. I believe our CVTs are the most sophisticated and best integrated in the world.

For the second layer, driving behavior, we're working on "Eco-driving Support." As an example, we've found that including a meter on the instrument panel showing real-time fuel use can change driving

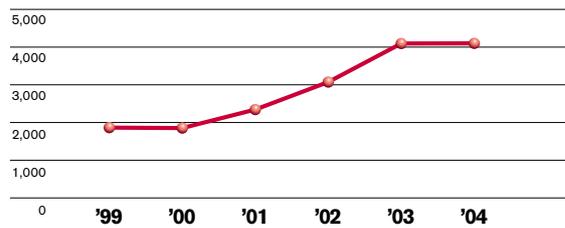
Vision 2015



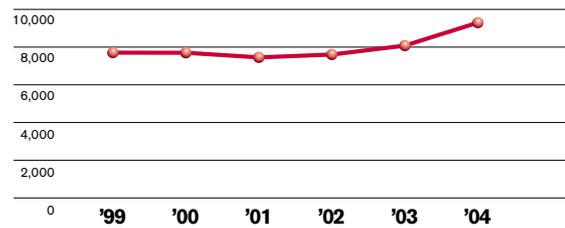
The Triple-Layered Approach



Patent Application



Registered Patents



habits. A survey we did on this revealed that fuel economy improves between 5 and 10 percent. This kind of support can help drivers save fuel.

The third layer covers traffic conditions—easing traffic, making driving less stressful, and warning of road problems. We started a project called the ITS Project about a year and a half ago to create the Intelligent Transportation System. We are working on this with both the private sector and government and regulatory bodies.

We are taking the first steps toward a solution locally, in Kanagawa Prefecture. The applications will be implemented later this year. If the test is successful, we can adapt ITS for use elsewhere in Japan and the rest of the world.

Nissan's engineers are renowned for creating cars with dynamic performance, the third facet of Vision 2015. We want every Nissan customer to sense the car's dynamic performance within thirty meters of driving. A related aspect is the "Life on Board" concept, which is the last facet. While in the car, the customer should instantly see both the car's quality—the handsome, well-crafted interior—and its ease of use, such as the navigation system, center

box console and electronics.

Cost and weight reduction are never-ending tasks for engineers and vehicle development. We've successfully made such reductions, but this often involves a "slash-and-burn" approach. To ensure that we maintain the same level of performance over the long-term, we added the Cost and Weight Reduction Office in fiscal 2006. The new office will take a long-term view of the task, and will be working with universities and research centers in other companies.

Our Alliance with Renault also continues to work for us in many ways. More and more of Nissan and Renault's total production is now covered by the common platform, and this trend will continue. By using the same powertrains, engines and transmissions, we also avoid duplicating product development and parts manufacture.

The value R&D provides to Nissan is trusted driving pleasure. In other words, we design cars that make "Life on Board" a blend of safety, driving performance, convenience and comfortable luxury. Through our various initiatives, we will build on that value.

Safety Shield



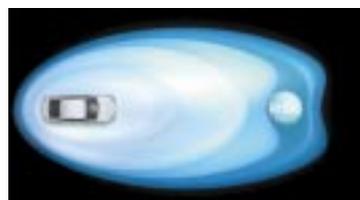
SAFETY SHIELD

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

Helps the driver maintain comfortable driving



Helps the driver return to a safe driving mode in dangerous conditions



Helps reduce injuries and damage when a collision is unavoidable





Seeking Superior Quality in Every Category and Region

Nissan's quality in Japan remains at the highest level. We've had some issues in other regions, but for the past few years our overall quality has been rising. For example, according to the J. D. Power and Associates 2006 Initial Quality Study (IQS), our rating improved from 16th to 12th place. When the three-year Nissan Value-Up period ends we intend to be among the top three globally in every category. To accomplish this, we are instituting worldwide the same quality assurance methodologies that work for us in Japan.

This is crucial, because there will be 70 production starts during the Nissan Value-Up period, and we are also expanding geographically. Any such expansion carries an inherent risk for quality—new products and regions bring new parts, processes and suppliers. This is particularly true in leading competitive countries, or LCCs, where suppliers generally have less experience with Nissan.

Nissan does not have *keiretsu* connections. We need strong supplier partnerships, because suppliers provide most of our parts and represent 70 percent of our costs. To minimize the attendant risks, we are bringing several supplier quality assurance initiatives online, including the Supplier Score Card, the Global Supplier Quality Meeting, and the Nissan Quality Award system.

A primary Nissan Value-Up goal is to reduce our warranty costs by 25 percent from fiscal 2004. We are on the right track in fiscal 2005. Since our worldwide production volume is going up, I'm forecasting that total warranty costs will be fairly stable after 2008. On a per-vehicle basis, though, they will continue to fall.

We will open a Field Quality Center at the Nissan Technical Center sometime before the end of 2006. The new facility will speed up and improve our quality

analysis of parts and enhance communication with both our engineers and suppliers.

Until 2006, our division was responsible only for product quality, but we now oversee sales and service quality as well. This makes sense, because the functions go hand in hand, and improving their processes and methodology is a unified concern. While the sales function will remain largely independent, we will monitor services more closely because of their tighter relationship to product quality. Our name recently changed to Total Customer Satisfaction to reflect the wider scope of our responsibilities.

A related development is the customer satisfaction officer or CSO position. We have one CSO each for Japan, North/South America, Europe and GOM managing product quality and sales and service quality. We are also taking greater advantage of our ten Global Quality Lead Teams, or GQLTs, mostly NTC engineering people with some members from other regions on the sub-teams.

Our partnership with Renault continues to pay off. One initiative involves developing rules for Alliance projects such as the common powertrain, the New Cabstar, a new LCV and the 2.0-liter diesel. We have internal rules, of course, but sharing rules with Renault allows us to construct a more global and versatile approach.

We are also working to standardize our quality management in North America, Europe and GOM, which occasionally manage processes differently. We've recently become major shareholders in many GOM operations, so we can control quality more directly. I believe these globally oriented methodologies and standards, such as supplier quality assurance and GQLT activities, the Quality Award system, and supplier meetings will boost Nissan's quality worldwide.



Leveraging Nissan's Brand and Technology Wisely

Two profound structural changes, one external and one internal, convinced us to establish the Intellectual Asset Management office in 2004. The external change is the continuing globalization of markets, coupled with much freer access to human, financial and R&D resources. The internal change is that Nissan is no longer restructuring or recovering, and is ready for the next phase: pursuing sustainable, profitable growth. We now have the resources to do virtually anything if we are properly prepared.

The global market has become flatter. Before, every nation's marketplace had its own quirks and barriers, and a government could largely dictate how business was conducted. This made it difficult for corporations to use a universal corporate strategy.

Now, though, it's a different game. Tariffs and other national barriers are falling, and resources of all kinds are far easier to find and use. For example, governments once closely guarded their national universities, laboratories and research institutions. We were not allowed to work together. Now governments and institutions have changed their strategies and are actively seeking partnerships. This has fundamentally altered the complexion of global competition, and how we use these newly available resources will be the key to winning that competition.

The internal change, of course, is that Nissan has successfully completed the recovery phase. Two three-year restructuring plans significantly improved our fundamentals and gave us the best profitability among the global auto companies.

Our current business plan, Nissan Value-Up, has changed the equation again. Before starting Value-Up, we discussed our goals and the nature of future

competition. We examined everything, including R&D, marketing, sales and customer satisfaction, from a global perspective.

Nissan has long been regarded as technologically advanced and undoubtedly had assets not yet fully exploited. During our discussions, I noted that we might have missed some opportunities and revenue by failing to clearly identify and leverage these technological assets. The CEO and Executive Committee agreed, and in 2004 we established the IAM office to address the issue.

The IAM has three management areas: objective, proactive and reactive. Our overall mission is to objectively evaluate our patents, processes, technological know-how and brand, develop and protect these assets, and sell or license them, mostly to companies outside the auto industry. We are committed to becoming a new source of revenue and profit.

Our IAM activities start with an objective analysis of our assets. We assess not only the value of our patents and technological assets but potential threats and opportunities related to them. To do this, however, we need tools, especially for measuring how our technology stacks up against that of our competitors.

As part of this effort, we categorized 134 technology areas to figure out our relative strengths and weaknesses in the auto business. We identified ten in which we are particularly strong. We collaborate with the people at the Nissan Research Center, Nissan Advanced Technical Center, and Nissan Technical Center. They pay close attention to our analyses now, factor in our views when they make their programs, and even ask us for help with analysis.

In the second area, proactive management, we are trying to generate revenue and profits. We have two ways of spotting potential partners and licensees for a particular technology. One is that patent applicants must show what similar inventions they have checked, including the critical differences between their invention and those that came before. We can also check who cited our own patents. Both make it much easier to start a dialogue.

We have already successfully negotiated licensing agreements with companies to use Nissan technologies. One example is our diamond-like carbon coating technology (super low friction technology), which has attracted the interest of global firms both in and outside the automotive sector.

A welcome byproduct is that our researchers are now highly motivated to pursue new technological innovations. Prior to this, they seldom received positive feedback, unless their inventions were implemented on particular vehicles or products. Patents also demonstrate our strength to R&D people in other companies.

Merchandising is another way to leverage Nissan's assets. Toys and games are examples. Another possibility is a management game for business school students. We used to just say yes to requests about using our cars in race games, without negotiating or considering our brand's value. Now that Nissan's brand is highly ranked, however, we need to negotiate harder on merchandising rights.

Renault is far ahead of us in merchandising. They even have a merchandising office. We're actually very complementary, because Renault also has greater skills in interior and exterior design, whereas Nissan has the advantage in technology. It is a fine example of the synergy we expect from our alliance.

In the third area, reactive management, protecting our IP is vital. Counterfeit products are rampant in Asia, and IP is constantly being targeted in China. Counterfeiters copy parts of a Nissan vehicle and a competitor's model and call it a completely new design. Duplicating components like brake pads is more problematic—copies are often sold at the same store alongside genuine parts at a tenth of the price.

We have to fight such activities constantly, finding out who did the copying and going after them. This is expensive but essential. As a result of our activities, in 2005 China's State Administration for Industry and Commerce officially recognized Nissan as a famous trademark. Only well-known brands with a high reputation in China are awarded this status, including just two from Japan, Nissan and YKK. This honor represents an important milestone in Nissan's brand-building efforts in China.

What distinguishes Nissan's IAM activities is that we are objective and proactive, and one of the few companies with a consistent, organized strategy toward intellectual property. Of course, we are not satisfied with our current performance. In fact, our benchmarks are U.S. and European companies, especially IT-related firms, because they have more experience in this area. We are currently collaborating with IBM, GE and Siemens to further develop our IAM activities.

Improving the infrastructure surrounding intellectual asset management is vital to marketing our technology. Fortunately, that is happening, and we appear to be at the forefront of the economy, which is increasingly driven by intangible assets. Our office is still new, however, and we must work harder to properly present the many assets Nissan has to offer.



Supplying Sales Support, Profits and Solid Customer Connections

Rising interest rates worldwide squeezed our margins and made the sales finance business tougher in fiscal 2005. Our overall profitability was relatively good, however, and we managed losses and delinquencies very well. Net loss ratios at our main sales finance companies in the U.S., Japan, Canada and Mexico, for example, were among the lowest in Nissan's history.

We also had great market penetration. In the U.S., Nissan Motor Acceptance Corporation took almost 50 percent of the market. Nissan Financial Services, Japan had 36 percent, a slight increase over 2004. Nissan Canada Finance was at 73 percent thanks to more lease demand. NR Finance Mexico also had the highest penetration at 34 percent. That's a 43 percent average, so our contribution to sales was very high.

Because of this higher penetration and increased sales, our total assets have grown. Asset-backed securities represent nearly 50 percent of our finance funding. They're an effective, low-cost source of money, and one we will continue to use. However, we've increased the proportion of funding coming from commercial paper and corporate bonds in Japan and the U.S. We are also setting up commercial paper and bond programs in Mexico.

Basically we're trying to spread out our funding and rely less on asset-backed securities and group financing. Our credit rating has improved in recent years, and I think we'll be able to diversify our funding further once we are officially upgraded from BBB+

to A. The secondary markets already price our bonds at the A level.

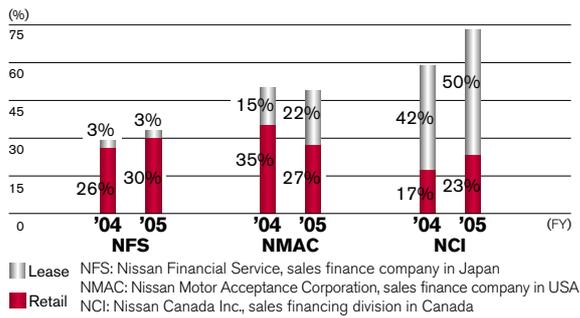
The risk that a sales finance company should pay is the interest rate risk. This comes from duration mismatches between assets and liabilities. We aren't interested in speculative trading, so we utilize a natural hedging system that doesn't involve too many complicated derivative transactions. Term-match hedging is the best way to do that.

There is no foreign exchange risk for us from an asset and liability management standpoint. For example, all funding for our U.S. finance company comes from U.S. dollars. Our other entities are similarly funded through local currency.

Another way we maintain a stable natural hedge position is to utilize our equity position or cash flow from our automotive operations. Nissan's automotive business has excellent positive cash flow. Of course the first priority for that money is R&D, capital expenditure, dividend payments and so on, but we use some of that excess cash to fund our finance activities rather than depositing it. If the market interest rate goes up, the finance company may suffer from the increase in the cost of funds. The automotive company simultaneously recognizes higher interest rate income because it is lending to the sales finance company.

A finance company is a capital-intensive business and requires considerable investment, particularly for IT. One thing we evaluate before setting up in a country is the minimum annual volume of contracts necessary to justify the expense. We've just established a finance company in Thailand

Penetration



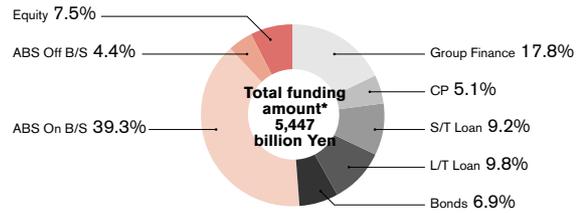
because we anticipate a significant increase in sales there, and we are also considering setting one up in China. Of course a finance company cannot expect to get 100 percent of the car sales, so we usually plan for a minimum of 50,000 or 60,000 units in retail sales, anticipating that we'll get 30 to 40 percent penetration.

Coordination and cooperation with Renault is also a major driver for our sales financing business. Having Nissan and Renault set up an Alliance finance company to provide financing to our respective dealers is our favored solution. That is what we did in Mexico. We rely on the larger sales company in the country to take the leadership role.

We are currently planning to use the same method in Korea, where Renault has more sales volume than Nissan. If Nissan is slightly ahead in a market and establishes a finance company, Renault can piggyback on that. That may happen in Thailand, where Nissan already has a company. We're looking at China, Russia and other countries in which we'll have the necessary volume and deciding which company should establish the finance business. Utilizing Nissan and Renault's expertise, people and systems, we have both become much more powerful.

The sales finance business will also act as a buffer. The auto industry is cyclical, going up and down. Nissan's sales do, too, but the finance portfolio is usually pretty stable. Once you book a contract, you have revenue coming in over a three- or five-year period. If you don't have a finance company in place, you're missing a crucial tool for selling vehicles and

Funding Sources



* (= Total assets - Other liabilities + Off balance sources)

making a profit contribution. If you rely on banks to finance your sales, you're just letting them make the money and providing them with a customer base to sell their products to.

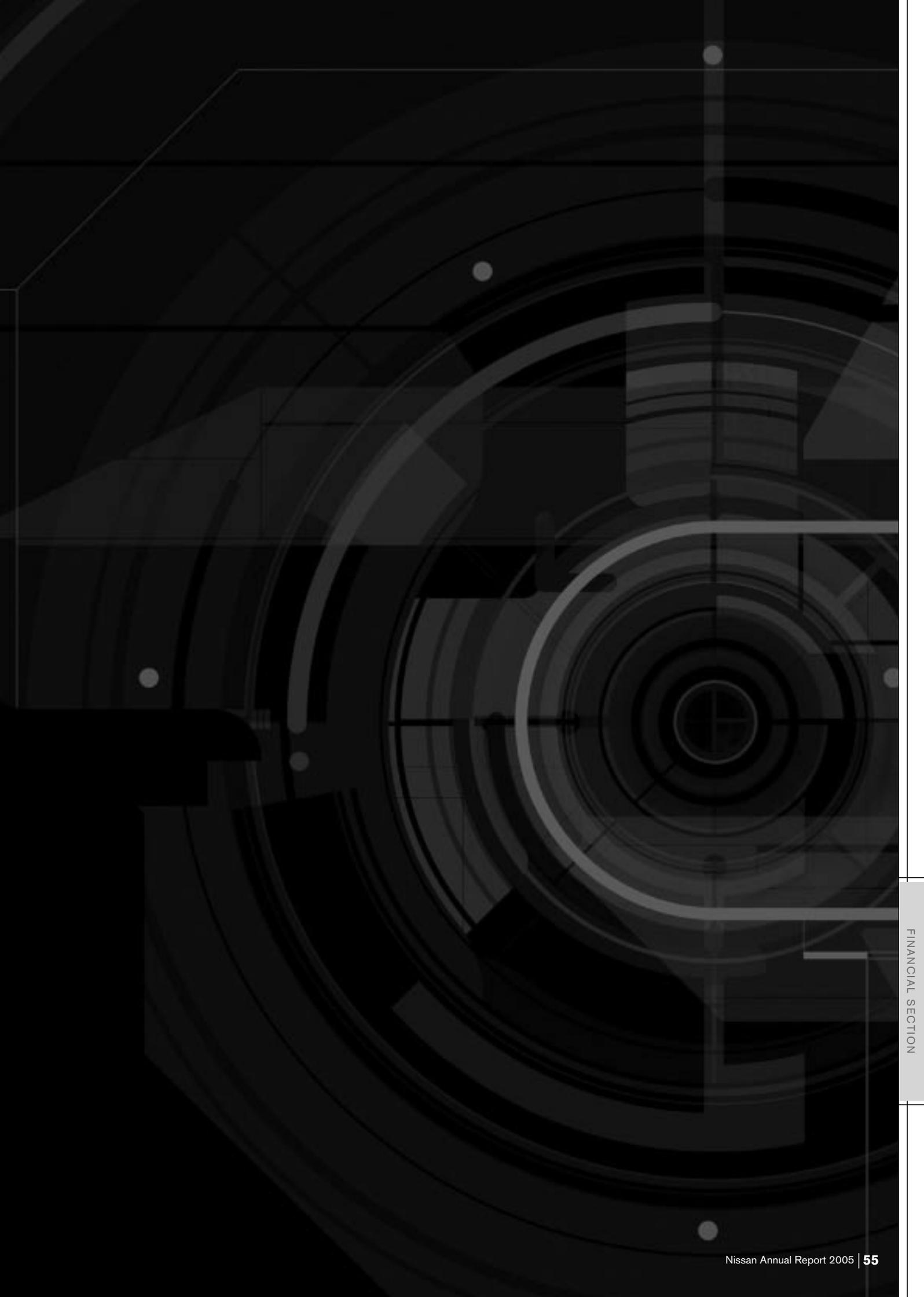
A finance company is an excellent tool for marketing and boosting sales, enhancing customer loyalty and maintaining our customer database. A dealer may lose track of a customer after selling the vehicle, but a sales finance company, having a three- or five-year contract, contacts customers regularly. You know their living situation and how their income has changed. We can also offer them future vehicle contracts, and insurance products, and pursue other related business.

To me, sales finance mirrors the automotive business. You could just play in the big markets—the U.S., Europe and Japan—and ignore the rest. But everyone expects the volume in the rest of the world to grow, and sales finance can play an important role in that growth. We're not anticipating big initial profits in China, Thailand and elsewhere. Once the volume catches up, however, we've got a strong chance to maximize profits on both the automotive side and financing side.

In April, we formed a virtual organization to control all of Nissan's sales finance companies and work closely with Renault's sales finance division. The organization's head, an American, travels constantly to ensure that each finance company is working well. He has six people reporting to him with plenty of experience in sales finance, including IS. I'm very pleased to have this organization overseeing operations.

Financial Section

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CONSOLIDATED FIVE-YEAR SUMMARY

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004, 2003, 2002 and 2001

For the years ended	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars (Note 1) (except per share amounts)
	2005	2004	2003	2002	2001	2005
	Mar. 31, 2006	Mar. 31, 2005	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2006
Net sales	¥ 9,428,292	¥8,576,277	¥7,429,219	¥6,828,588	¥6,196,241	\$80,584
Operating income	871,841	861,160	824,855	737,230	489,215	7,452
Net income	518,050	512,281	503,667	495,165	372,262	4,428
Net income per share (Note 2)	126.94	125.16	122.02	117.75	92.61	1.08
Cash dividends paid (Note 3)	105,661	94,236	74,594	50,800	27,841	903
Shareholders' equity	¥ 3,087,983	¥2,465,750	¥2,023,994	¥1,808,304	¥1,620,822	\$26,393
Total assets	11,481,426	9,848,523	7,859,856	7,349,183	7,215,005	98,132
Long-term debt	2,225,603	1,963,173	1,694,793	1,603,246	1,604,955	19,022
Depreciation and amortization	655,402	525,926	461,037	371,125	374,827	5,602
Number of employees	183,356	183,607	123,748	127,625	125,099	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥117 = \$1, the approximate exchange rate on March 31, 2006.

2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.

Number of shares outstanding as of March 31, 2006: 4,520,715,112.

3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.

Sales and Production (units) For the years ended	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2002 Mar. 31, 2003	2001 Mar. 31, 2002
Global vehicle production (Note 1)	3,340,827	3,293,339	2,883,409	2,586,602	2,428,279
Japan	1,364,868	1,481,563	1,475,063	1,444,314	1,272,851
United States	808,586	803,556	619,665	392,458	363,366
Mexico	362,591	325,086	308,322	340,658	328,946
Spain	193,604	142,889	116,589	84,919	137,502
United Kingdom	315,297	319,652	331,924	297,719	296,788
Others	295,881	220,593	31,846	26,534	28,826
Global unit sales (wholesale)	3,537,614	3,470,422	2,946,782	2,635,686	2,460,484
Japan	810,968	819,152	799,206	792,767	702,657
North America (Notes 1 and 2)	1,369,630	1,394,099	1,204,882	1,040,684	968,030
Europe (Note 2)	597,250	554,901	548,693	458,222	453,697
Others (Note 1)	759,766	702,270	394,001	344,013	336,100

Notes: 1. Unit sales in Mexico are included in "North America".

2. Sales and Production for Europe and Mexico for each year are on a January to December basis. (In the annual reports for the fiscal years before 2002, production for Europe and Mexico was on April to March basis.)

BUSINESS AND OTHER RISKS

Due to changes in government regulations, information on risks involved in business operations has been disclosed in the Yukashoken-Houkokusho for the year ended March 31, 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 financial position and results of operations.

International Activities and Overseas Expansion

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

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

Research and Development

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

Product Defects

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

Fluctuation in Foreign Currency Exchange Rates

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

Derivatives

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

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

Lawsuits and Claims

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

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

Government Regulations

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

Intellectual Property Rights

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

The Company has established Intellectual Property Rights Management Department for the purpose of protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights, and abstracting new intellectual property rights. And the department has been performing various activities to protect and create Nissan Brand.

Natural Disasters

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

Sales Financing Business Risk

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

Counterparty Credit Risk

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

Employee Retirement Benefit Expenses and Obligations

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

Purchase of raw materials and parts

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

CORPORATE GOVERNANCE

Basic corporate governance policy

Corporate governance is an important responsibility of management, and its most important role is to clarify the duties and responsibilities of the members of Nissan's management team. At Nissan, clear management objectives and policies are published for the benefit of the shareholders and investors, and achievements and results are announced early and with as much transparency as possible. The enhancement of corporate governance by full and fair disclosure is the responsibility of management.

(1) The Company's organization and systems for internal control

① The Company's organization and systems for internal control

Nissan adopts a corporate auditor system. As the Company's governing body under applicable laws, the Board of Directors is established to make decisions on important business operations, as well as for the supervision of the execution of duties by the respective directors. Corporate auditors conduct audit of the execution of directors' functional duties. The number of directors is reduced in the pursuit of more efficient and flexible management, and the authority for business execution is clearly delegated wherever possible to corporate officers and employees. Furthermore, the Executive Committee deliberates important corporate matters.

The Board of Directors consists of nine members, of which one is external director. The Board of Directors holds general meetings as well as extraordinary meetings, as necessary, to discuss and decide significant business matters.

The Board of Corporate Auditors is composed of three external corporate auditors and one corporate auditor. Three of the four corporate auditors are full-time auditors. Each auditor attends the Board of Directors all the time and conducts audit of Directors' overall business execution in accordance with the annual audit plan determined by the Board of Corporate Auditors.

The Company focuses on highly transparent management internally and externally, and aims to conduct consistent and efficient management to firmly achieve its specific commitments. Under this basic policy, the Company's Board of Directors resolved a "System to ensure proper and appropriate corporate operations" at the Board meeting held on May 17, 2006 in accordance with the Corporation Law and the Corporation Law Enforcement Regulations. The Board of Directors shall consistently monitor the system and the status of execution of the policies under its responsibility and also amend or improve issues, if required.

② Status of internal audit and corporate audit

In Japan, the Domestic Internal Audit Office, which is independent from other sections and comprises 14 staff, conducts internal audits of NML's and its domestic consolidated subsidiaries' operations, under the President's direct control. With respect to foreign subsidiaries, an effective, efficient and global internal audit is conducted by the internal audit departments established in the management companies in each region, all of which are controlled by the Chief Internal Audit Officer (CIAO).

Corporate auditors perform audit of execution of entire business operations. Their procedures include, but not limited to, inter-

viewing with the Directors with regard to business conduct and attending the Board of Directors' meetings and other significant meetings. The Board of Corporate Auditors tries to enhance audit efficiency by sharing information among each corporate auditors. The corporate auditors also periodically receive the report of audit plans and the results of audit from internal audit departments. The corporate auditors also exchange their insight with the Internal Audit Office to facilitate their own audit. In addition, they also receive the report from independent auditors and determine its adequacy.

③ Financial statement audit

The Company appoints Ernst & Young ShinNihon as its independent auditors. The certified public accountants engaged in the financial statement audits are as follows:

The name of Certified Public Accountants engaged in the financial statement audit

Designated and Engagement Partner	Kazuo Suzuki*
Designated and Engagement Partner	Yasunobu Furukawa
Designated and Engagement Partner	Yoji Murohashi
Designated and Engagement Partner	Takeshi Hori

* Kazuo Suzuki has been continuously engaged in the audit of the Company's financial statements for 17 years. Ernst & Young ShinNihon has voluntarily introduced a rotation system for engagement partners prior to the enforcement of the regulations under the Certified Public Accountant Law and implementation of the rules for the voluntary regulations of the Japanese Institute of Certified Public Accountants. Although Kazuo Suzuki was scheduled to be replaced as of the end of the fiscal year ending March 31, 2007, in accordance with the rotation policy implemented by Ernst & Young ShinNihon, the replacement occurred a year earlier, at the end of the fiscal year ended March 31, 2006, because of a revision to the Ernst & Young ShinNihon policy.

The member of assistants who engaged in the financial statements audit is composed of 15 Certified Public Accountants, 25 junior accountants, and 6 others, including system specialists, etc.

④ Relationships between the external directors and external corporate auditors and NML

Shemaya Levy, the Company's external director, had served as Senior Vice President of Renault from March 2002 to March 2004, and Renault held 44.3% of the shares of the Company's common stock as of March 31, 2006.

Shinji Ichijima and Keiji Imamura, the Company's external corporate auditors, retired from the corporate auditor's position at the conclusion of the 107th Ordinary General Meeting of Shareholders held on June 27, 2006, and Takeo Otsubo and Toshiyuki Nakamura have been newly appointed by the resolution at the said meeting.

Takeo Otsubo, the Company's external corporate auditor, had served as Director of the Environmental Restoration and Conservation Agency until June 2006. There was no particular business relationship between the Environmental Restoration and Conservation Agency and the Company during the fiscal year under review.

Toshiyuki Nakamura, the Company's external corporate auditor, had served as Representative Director and COO of The Bank of Yokohama, Ltd. until June 2006. There is no particular business

relationship between The Bank of Yokohama and the Company during the current fiscal year.

Haruo Murakami, the Company's external corporate auditor, currently serves as Part-time Counselor of Japan Telecom after retiring as chairman of the Executive Committee of Japan Telecom in June 2006. Japan Telecom provided the Company with various services and facilities such as network maintenance and telephone lines during the fiscal year under review.

(2) Status of risk management system

The Company defines the risk as "factors which interrupt the achievement of business objects," and tries to identify and evaluate such risk as soon as possible and to take necessary measures against the risk so that the Company can minimize the probabilities that risk arises and damages caused by the risk.

Risk management system

The Company has been evaluating risk of the Company and the Group from various points of view and has been considering the appropriate control system and methodology. A risk management team established in the Financial Department has worked with several global sections since 2004, sorted out the business risks, and prioritized them based on the probabilities, impacts, and relevant control level. Directors in charge were appointed and they have been taking concrete measures against the risks for which actions are required.

Furthermore, since April 2004, the Company has established Intellectual Property Rights Management Department for the purpose of protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights, and abstracting new intellectual property rights. And the department has been performing various activities to protect and create Nissan Brand.

Since the fiscal year beginning April 1, 2005, the scope of risk management has been expanded to address risks which are more strategic or those relate to business processes in addition to the original hazard risks. Functions or Departments, which operate risk control, report the status through the normal reporting lines and EC (Executive Committee) directly monitors the risk that must be controlled on corporate level.

Compliance of corporate ethics and compliance system

In 2001, the Company established "Nissan Global Code of Conduct" and distributed it to employees of domestic and foreign Group companies. Moreover, the Company established "Nissan Code of Conduct (Japanese Edition) ~Our Promises~" in 2004 and publicized it, which should be applied to employees of domestic Group companies. This has been gradually implemented by the Group companies.

The Company emphasizes education of employees based on the idea that written conduct code must be understood by all employees and reflected to their actions. All employees must take learning programs by E-learning or VTR, and sign confirmations regarding code of conduct after finishing the programs. The confir-

mations have already been received from almost every employee, and compliance of corporate ethics has been penetrated into the Nissan Group.

Furthermore, the Global Compliance Committee was established in order to review the status of compliance with the code of conduct and ensure that the code is fully complied. Managing Director in charge of Human Resource is appointed as Global Compliance Officer (GCO) and the chairman of regional compliance committees established in each area such as Japan, North America, Europe and Global Overseas Market. Those committees promote the improvement of code of conduct, resolution of issues and enlightenment activities. The "Easy Voice System," which was deployed in 2002 as a system that employees can freely communicate their opinions and demands to the companies, can acquaint violation of compliance and behaviors possibly resulting in violation and also contribute to improve business operations and to develop corporate culture emphasizing to comply corporate ethics.

(3) Compensation paid to directors and corporate auditors

Compensation paid to Nissan's directors consists of a fixed amount of remuneration in cash and shares appreciation rights as resolved at the 104th shareholders' meeting held on June 19, 2003. The cash remuneration is limited to a maximum of ¥2.6 billion per annum as resolved at the 106th shareholders' meeting held on June 21, 2005 and the amount to be paid to each director determined based on the business results and reflecting the firm's global competitiveness.

On the other hand, the shares appreciation rights are given as motivation to the directors to stimulate continuous business development and an increase in the profitability of the Group. This incentive is linked to Nissan's medium- or long-term business results and is limited to the equivalent of 6 million shares of the Company's common stock per annum.

The remuneration paid to the corporate auditors is limited to a yearly amount of ¥120 million as resolved at the 106th shareholders' meeting held on June 21, 2005. This compensation is designed to promote stable and transparent auditing.

For the current fiscal year, the aggregate amount disbursed to the directors and corporate auditors was ¥2,527 million to eleven directors and ¥86 million to six corporate auditors. In addition, ¥390 million was paid through an appropriation of retained earnings as compensation to four directors, ¥624 million as retirement allowances to two directors and ¥88 million to two corporate auditors. In addition, shares appreciation rights equivalent to 4.8 million shares were granted to seven directors.

(4) Remuneration to independent auditors

Remuneration paid to the independent auditors is summarized as follows:

- Remuneration for services stipulated by the Certified Public Accountant Law, Article 2, Paragraph 1 (Law No. 103, 1948) for the current fiscal year: ¥510 million
- Remuneration for other services for the current fiscal year: ¥14 million

CONSOLIDATED BALANCE SHEETS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005 and 2004

ASSETS	As of	Millions of yen		Thousands of U.S. dollars (Note 3)
		2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Current assets:				
Cash and cash equivalents	¥	404,212	¥ 289,784	\$ 3,454,803
Short-term investments (Note 19)		22,149	23,916	189,308
Receivables, less allowance for doubtful receivables (Notes 4 and 8)		3,989,748	3,489,545	34,100,410
Inventories (Note 5)		856,499	708,062	7,320,504
Other current assets		749,646	628,087	6,407,231
Total current assets		6,022,254	5,139,394	51,472,256
Property, plant and equipment, at cost (Notes 6, 8 and 16):		8,516,356	7,461,812	72,789,368
Less accumulated depreciation		(4,077,548)	(3,664,865)	(34,850,838)
Property, plant and equipment, net		4,438,808	3,796,947	37,938,530
Investments and other assets (Notes 8 and 19):				
Investment securities:				
Unconsolidated subsidiaries and affiliates		351,667	335,628	3,005,701
Other		51,719	26,293	442,043
Other assets (Note 8)		616,978	550,261	5,273,316
Total investments and other assets		1,020,364	912,182	8,721,060
Total assets		¥11,481,426	¥9,848,523	\$98,131,846

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>As of</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
		2005 <i>Mar. 31, 2006</i>	2004 <i>Mar. 31, 2005</i>	2005 <i>Mar. 31, 2006</i>
Current liabilities:				
Short-term borrowings and current portion of long-term debt ^(Note 8)		¥ 2,592,289	¥1,983,950	\$22,156,316
Notes and accounts payable ^(Note 7)		1,532,320	1,384,163	13,096,752
Accrual for warranty costs		81,112	61,762	693,265
Accrued income taxes ^(Note 13)		105,987	63,563	905,872
Other current liabilities		540,001	481,276	4,615,393
Total current liabilities		4,851,709	3,974,714	41,467,598
Long-term liabilities:				
Long-term debt ^(Note 8)		2,225,603	1,963,173	19,022,248
Accrued retirement benefits ^(Note 9)		267,695	508,203	2,287,991
Accrual for warranty costs		132,107	122,990	1,129,120
Other long-term liabilities		630,436	556,992	5,388,342
Total long-term liabilities		3,255,841	3,151,358	27,827,701
Minority interests		285,893	256,701	2,443,530
Shareholders' equity ^{(Notes 10, 14 and 22):}				
Common stock, without par value:				
Authorized —6,000,000,000 shares;				
Issued —4,520,715,112 shares in 2005 and 2004		605,814	605,814	5,177,897
Capital surplus		804,470	804,470	6,875,812
Retained earnings		2,116,825	1,715,099	18,092,521
Unrealized holding gain on securities		14,340	7,355	122,564
Translation adjustments		(204,313)	(400,099)	(1,746,264)
		3,337,136	2,732,639	28,522,530
Less treasury stock, at cost; 122,100,582 shares in 2005 and 141,235,573 shares in 2004		(249,153)	(266,889)	(2,129,513)
Total shareholders' equity		3,087,983	2,465,750	26,393,017
Commitments and contingencies ^(Note 17)				
Total liabilities and shareholders' equity		¥11,481,426	¥9,848,523	\$98,131,846

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004 and 2003

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 3)</i>	
	<i>For the years ended</i>	2005 <i>Mar. 31, 2006</i>	2004 <i>Mar. 31, 2005</i>	2003 <i>Mar. 31, 2004</i>	
Net sales		¥9,428,292	¥8,576,277	¥7,429,219	\$80,583,692
Cost of sales (Notes 6 and 11)		7,040,987	6,351,269	5,310,172	60,179,376
Gross profit		2,387,305	2,225,008	2,119,047	20,404,316
Selling, general and administrative expenses (Notes 6 and 11)		1,515,464	1,363,848	1,294,192	12,952,684
Operating income		871,841	861,160	824,855	7,451,632
Other income (expenses):					
Interest income		17,359	14,934	10,321	148,368
Interest expense		(25,646)	(26,656)	(27,290)	(219,197)
Equity in earnings of unconsolidated subsidiaries and affiliates		37,049	36,790	11,623	316,658
Other, net (Note 12)		(91,562)	(92,995)	(83,012)	(782,581)
		(62,800)	(67,927)	(88,358)	(536,752)
Income before income taxes and minority interests		809,041	793,233	736,497	6,914,880
Income taxes (Note 13):					
Current		274,463	179,226	137,745	2,345,838
Deferred		(20,055)	78,837	81,295	(171,411)
		254,408	258,063	219,040	2,174,427
Minority interests		(36,583)	(22,889)	(13,790)	(312,675)
Net income (Note 18)		¥ 518,050	¥ 512,281	¥ 503,667	\$ 4,427,778

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004 and 2003

<i>For the years ended</i>	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 3)</i>
	2005 <i>Mar. 31, 2006</i>	2004 <i>Mar. 31, 2005</i>	2003 <i>Mar. 31, 2004</i>	2005 <i>Mar. 31, 2006</i>
Common stock				
Balance at beginning and end of the year (4,520,715,112 shares)	¥ 605,814	¥ 605,814	¥ 605,814	\$ 5,177,897
Capital surplus				
Balance at beginning and end of the year	¥ 804,470	¥ 804,470	¥ 804,470	\$ 6,875,812
Retained earnings				
Balance at beginning of the year	¥1,715,099	¥1,286,299	¥ 878,655	\$14,658,966
Net income	518,050	512,281	503,667	4,427,778
Cash dividends paid	(105,661)	(94,236)	(74,594)	(903,085)
Bonuses to directors and statutory auditors	(573)	(404)	(410)	(4,897)
Other (Note 14)	(10,090)	11,159	(21,019)	(86,241)
Balance at end of the year	¥2,116,825	¥1,715,099	¥1,286,299	\$18,092,521
Unrealized holding gain on securities				
Balance at beginning of the year	¥ 7,355	¥ 4,392	¥ 1,831	\$ 62,863
Net change during the year	6,985	2,963	2,561	59,701
Balance at end of the year	¥ 14,340	¥ 7,355	¥ 4,392	\$ 122,564
Translation adjustments				
Balance at beginning of the year	¥ (400,099)	¥ (431,744)	¥ (320,276)	\$ (3,419,650)
Net change during the year	195,786	31,645	(111,468)	1,673,386
Balance at end of the year	¥ (204,313)	¥ (400,099)	¥ (431,744)	\$ (1,746,264)
Treasury common stock				
Balance at beginning of the year (141,235,573 shares, 122,116,426 shares and 54,512,876 shares at April 1, 2005, 2004 and 2003, respectively)	¥ (266,889)	¥ (245,237)	¥ (162,190)	\$ (2,281,103)
Net change during the year (19,134,991 shares, 19,119,147 shares and 67,603,550 shares for the years ended March 31, 2006, 2005 and 2004, respectively)	17,736	(21,652)	(83,047)	151,590
Balance at end of the year (122,100,582 shares, 141,235,573 shares and 122,116,426 shares at March 31, 2006, 2005 and 2004, respectively)	¥ (249,153)	¥ (266,889)	¥ (245,237)	\$ (2,129,513)
Total shareholders' equity	¥3,087,983	¥2,465,750	¥2,023,994	\$26,393,017

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	For the years ended	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004
Operating activities				
Income before income taxes and minority interests	¥	809,041	¥ 793,233	¥736,497
Depreciation and amortization relating to:				
Leased assets		236,572	157,346	134,354
Other assets		418,830	368,580	326,683
Impairment loss		26,827	—	—
Provision for (reversal of) allowance for doubtful receivables		4,561	(6,464)	3,732
Loss on devaluation of securities		212	128	323
Interest and dividend income		(21,080)	(16,274)	(11,591)
Interest expense		104,265	73,220	63,423
Gain on sales of fixed assets		(16,742)	(24,038)	(4,163)
Loss on disposal of fixed assets		22,213	20,115	24,823
(Gain) loss on sales of securities		(40,223)	(7,232)	7,113
Amortization of net retirement benefit obligation at transition		11,145	11,795	13,936
Provision for accrued retirement benefits		63,564	65,103	67,262
Retirement benefits paid		(314,349)	(82,924)	(80,650)
Other		13,587	(115)	45,934
Changes in operating assets and liabilities:				
Notes and accounts receivable		90,391	15,494	24,539
Finance receivables		(311,685)	(794,349)	(463,110)
Inventories		(117,120)	(108,903)	(28,220)
Notes and accounts payable		88,129	152,213	68,879
Subtotal		1,068,138	616,928	929,764
Interest and dividends received		21,034	16,098	10,699
Interest paid		(102,219)	(71,318)	(65,231)
Income taxes paid		(229,084)	(192,293)	(77,815)
Net cash provided by operating activities		757,869	369,415	797,417
Investing activities				
Decrease (increase) in short-term investments		7,078	(12,370)	(710)
Purchases of investment securities		(23,930)	(31,896)	(119,372)
Proceeds from sales of investment securities		46,060	3,098	40,330
Long-term loans made		(3,549)	(4,019)	(3,741)
Collection of long-term loans receivable		3,225	4,860	4,766
Purchases of fixed assets		(471,029)	(461,146)	(428,387)
Proceeds from sales of property, plant and equipment		55,790	71,256	53,932
Purchases of leased vehicles		(953,285)	(590,605)	(476,613)
Proceeds from sales of leased vehicles		264,124	173,812	191,105
Purchase of subsidiaries' stock resulting in changes in scope of consolidation		—	(1,292)	—
Proceeds from sales of subsidiaries' stock resulting in changes in scope of consolidation		4,705	7,697	192
Additional acquisition of shares of consolidated subsidiaries		(16,020)	(500)	(2,531)
Other		(25,924)	(23,930)	(15,097)
Net cash used in investing activities		(1,112,755)	(865,035)	(756,126)
Financing activities				
Increase (decrease) in short-term borrowings		376,048	666,191	(137,575)
Increase in long-term borrowings		883,548	1,050,841	847,393
Increase in bonds and debentures		390,706	140,663	150,000
Repayment of long-term borrowings		(809,466)	(765,588)	(627,238)
Redemption of bonds and debentures		(200,840)	(379,946)	(93,456)
Proceeds from minority shareholders		1,321	30	—
Purchases of treasury stock		(22,208)	(33,366)	(101,957)
Proceeds from sales of treasury stock		26,423	6,816	9,744
Repayment of lease obligations		(76,071)	(69,244)	(84,742)
Cash dividends paid		(105,661)	(94,236)	(74,594)
Cash dividends paid to minority shareholders		(6,487)	(678)	(712)
Other		606	(437)	(603)
Net cash provided by (used in) financing activities		457,919	521,046	(113,740)
Effect of exchange rate changes on cash and cash equivalents		11,389	4,369	(2,604)
Increase (decrease) in cash and cash equivalents		114,422	29,795	(75,053)
Cash and cash equivalents at beginning of the year		289,784	194,164	269,817
Increase due to inclusion in consolidation (Note 15)		6	65,825	310
Decrease due to exclusion from consolidation		—	—	(910)
Cash and cash equivalents at end of the year		¥ 404,212	¥ 289,784	¥194,164
				\$3,454,803

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal year 2005 (Year ended March 31, 2006)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Nissan Motor Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of the Company's subsidiaries in certain foreign countries including Mexico have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in those countries in the accompanying consolidated financial statements have been charged or credited to operations and are directly reflected in retained earnings.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method over periods not exceeding 20 years.

(c) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as a component of shareholders' equity and minority interests in its consolidated financial statements.

(d) Cash equivalents

All highly liquid investments with maturity of three months or less when purchased are considered cash equivalents.

(e) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined principally by the first-in, first-out method. See Note 2 (a).

(f) Short-term investments and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(g) Property, plant and equipment and depreciation

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income. See Note 2 (f) concerning the adoption of a new accounting standard for the impairment of fixed assets.

(h) Leases

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred. See Note 2 (c).

(i) Retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining years of service of the employees. Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the employees.

See Note 2 (b) concerning the adoption of a new accounting standard by a consolidated subsidiary in the United Kingdom.

(j) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Research and development costs

Research and development costs are charged to income when incurred.

(l) Revenue recognition

Revenue is generally recognized on sales of products at the time of shipment.

(m) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates, interest rates, and stock and commodity prices. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. See Note 2 (e).

(n) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution

of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Notes 10 and 22.

(o) New Accounting Standards

In December 2005, the Accounting Standards Board of Japan issued a new accounting standard for stock options. This accounting standard requires companies to recognize expenses related to stock options at fair value as of their grant dates over the respective vesting periods. The new accounting standard applies to stock options granted on and after May 1, 2006. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

2. ACCOUNTING CHANGES

(a) Until the year ended March 31, 2003, finished goods, work in process and purchased parts included in raw materials were stated at the lower of average cost or market, and raw materials except for purchased parts and supplies were stated at the lower of cost or market, cost being determined by the last-in, first-out method. Effective April 1, 2003, the Company and certain consolidated subsidiaries began valuing all inventories at the lower of cost or market, cost being determined by the first-in, first-out method. This change was made in order to establish a sound financial position by reflecting the changes in the purchase prices and in the valuation of inventories considering the fact that there had been progress in achieving a reduction in purchasing costs and that this trend is anticipated to continue. This change was also intended to achieve a better matching of revenue and expenses and more appropriate cost management by applying an inventory valuation method which reflected the actual inventory movements. The effect of this change was immaterial for the year ended March 31, 2004.

(b) Effective April 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, implemented early adoption of a new accounting standard for retirement benefits in the United Kingdom. The effect of this change was to increase retirement benefit expenses by ¥2,178 million and to decrease operating income and income before income taxes and minority interests by ¥1,686 million and ¥2,178 million, respectively, for the year ended March 31, 2004 as compared with the corresponding amounts which would have been recorded if the previous method had been followed. Retained earnings also decreased by ¥18,132 million since the net retirement benefit obligation at transition and actuarial loss was charged directly to retained earnings for the year ended March 31, 2004. The effect of this change on segment information is explained in Note 21.

(c) Until the year ended March 31, 2003, noncancelable lease transactions of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases were classified as operating or finance leases) except that lease agreements which stipulated the transfer of ownership of the leased assets to the lessee were accounted for as finance leases.

Effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of the leased assets to the lessee, from accounting for them as operating leases, to finance leases. This change was made in order to achieve a better matching of revenue and expenses by calculating manufacturing costs more accurately and to establish a better presentation of the Company's and its domestic consolidated subsidiaries' financial position by reflecting lease transactions more appropriately in its consolidated financial statements, considering the increasing materiality of these lease transactions as well as from an international point of view.

The effect of this change in method of accounting was to decrease sales, cost of sales, and selling, general and administrative expenses by ¥17,943 million, ¥38,910 million and ¥624 million, respectively, and to increase operating income and income before income taxes and minority interests by ¥21,591 million and ¥17,659 million, respectively, for the year ended March 31, 2004 as compared with the corresponding amounts which would have been recorded if the previous method had been followed. The effect of this change on segment information is explained in Note 21.

(d) Until the year ended March 31, 2004, freight and shipping costs of the Company and certain consolidated subsidiaries were included in selling, general and administrative expenses. Effective April 1, 2004, the Company and those consolidated subsidiaries began accounting for freight and shipping costs as cost of sales. This change was made in order to present gross profit more accurately by including freight and shipping costs in cost of sales and matching them directly with sales as well as to unify the accounting policy within the Nissan group considering the fact that shipping costs for export parts to be used for manufacturing in overseas countries have increased due to the expansion of manufacturing activities outside Japan.

The effect of this change was to increase cost of sales by ¥112,074 million and to decrease gross profit and selling, general and administrative expenses by the same amount for the year ended March 31, 2005. This change had no impact on operating income, income before income taxes and minority interests, and net income for the years ended March 31, 2005 as compared with the

corresponding amounts which would have been recorded if the previous method had been followed. In addition, this change had no effect on segment information.

(e) Until the year ended March 31, 2005, the Company and its domestic consolidated subsidiaries applied special treatment to forward foreign exchange contracts entered into to hedge forecasted sales denominated in foreign currencies. These contracts qualified for deferral hedge accounting as these sales and accounts receivable were translated and reflected in the consolidated financial statements at their corresponding contracted rates.

Effective April 1, 2005, the Company and its domestic subsidiaries changed their method of accounting for such sales, accounts receivable and forward foreign exchange contracts and began applying the benchmark method. Under this method, sales denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at each transaction date and the related accounts receivable are translated at the exchange rates in effect at the balance sheet dates, with the related exchange differences charged or credited to income, whereas the forward foreign exchange contracts are carried at fair value. This change was made as a result of the implementation of a newly modified internal operating system with respect to forward foreign exchange contracts

in order to achieve a better presentation of gain or loss related to open derivatives positions. The effect of this change on the consolidated financial statements was immaterial for the year ended March 31, 2006.

(f) Effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. The Group bases its grouping for assessing impairment losses on fixed assets on its business segments (automobiles and sales finance) and geographical segments. However, the Group determines whether or not an asset is impaired on an individual asset basis depending on whether the asset is deemed idle or if it is scheduled to be disposed of.

As a result of the adoption of this new standard, the Company and its domestic consolidated subsidiaries have recognized an impairment loss in the amount of ¥26,827 million (\$229,291 thousand) on idle assets and assets to be disposed of due to a significant decline in their market value by reducing their book value to the respective net realizable value of each asset. Accordingly, income before income taxes and minority interests decreased by the same amount for the year ended March 31, 2006 from the corresponding amount which would have been recorded under the previous method. The effect of this change on segment information is explained in Note 21.

3. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥117 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2006, has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. RECEIVABLES

Receivables at March 31, 2006 and 2005 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Notes and accounts receivable.....	¥ 488,600	¥ 538,029	\$ 4,176,068
Finance receivables.....	3,589,127	3,026,788	30,676,299
Less allowance for doubtful receivables.....	(87,979)	(75,272)	(751,957)
	¥3,989,748	¥3,489,545	\$34,100,410

Finance receivables principally represent receivables from customers on loans made by financing subsidiaries in connection with sales of automobiles.

5. INVENTORIES

Inventories at March 31, 2006 and 2005 were as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Finished products.....	¥607,149	¥502,032	\$5,189,308
Work in process and other.....	249,350	206,030	2,131,196
	¥856,499	¥708,062	\$7,320,504

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2006 and 2005 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	As of 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Land.....	¥ 740,716	¥ 781,693	\$ 6,330,906
Buildings and structures.....	1,513,774	1,435,423	12,938,239
Machinery and equipment.....	6,021,596	4,995,081	51,466,633
Construction in progress.....	240,270	249,615	2,053,590
	¥8,516,356	¥7,461,812	\$72,789,368

The following table set forth the acquisition costs and the related accumulated amortization of assets recorded under finance leases included in the above balances:

	Millions of yen		Thousands of U.S. dollars
	As of 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Buildings and structures.....	¥ 15,570	¥ 20,530	\$ 133,077
Machinery and equipment.....	322,391	295,345	2,755,479
	337,961	315,875	2,888,556
Accumulated amortization.....	(187,405)	(141,309)	(1,601,752)
	¥150,556	¥174,566	\$1,286,804

Depreciation of property, plant and equipment for each of the three years in the period ended March 31, 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	For the years ended 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
Depreciation and amortization.....	¥635,344	¥514,261	¥449,254	\$5,430,291

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Notes and accounts payable.....	¥ 983,594	¥ 939,786	\$ 8,406,786
Accrued expenses and other.....	548,726	444,377	4,689,966
	¥1,532,320	¥1,384,163	\$13,096,752

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2006 and 2005, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Loans, principally from banks.....	¥1,159,743	¥ 597,737	\$ 9,912,333
Commercial paper.....	366,998	491,336	3,136,735
Current portion of long-term debt.....	1,007,025	836,545	8,607,051
Current portion of lease obligations.....	58,523	58,332	500,197
	¥2,592,289	¥1,983,950	\$22,156,316

The annual weighted-average interest rates applicable to short-term borrowings except for lease obligations outstanding at March 31, 2006 and 2005 were 2.8% and 2.1%, respectively.

At March 31, 2006 and 2005, long-term debt consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Debt with collateral:			
Loans from banks and other financial institutions due through 2012 at weighted-average interest rate of 4.1%.....	¥1,583,358	¥1,351,212	\$13,532,974
Debt without collateral:			
Loans from banks and other financial institutions due through 2026 at weighted-average interest rate of 2.2%.....	680,536	658,823	5,816,547
Bonds in yen due through 2010 at rates ranging from 0.4% to 2.4%.....	642,980	551,960	5,495,556
Straight bonds in U.S. dollars due through 2011 at rates ranging from 4.6% to 5.6%.....	205,573	80,543	1,757,034
Medium-term notes in U.S. dollars due through 2008 at rates ranging from 4.6% to 5.2%.....	29,711	43,327	253,940
Euro medium-term notes in U.S. dollars and Euro due through 2006 at rates ranging from 4.1% to 4.7%.....	15,416	13,574	131,761
Other.....	3,346	3,735	28,599
Lease obligations.....	130,231	154,876	1,113,085
	3,291,151	2,858,050	28,129,496
Less current portion.....	1,065,548	894,877	9,107,248
	¥2,225,603	¥1,963,173	\$19,022,248

The maturities of long-term debt except for lease obligations are summarized as follows:

Year ending Mar. 31,	Millions of yen	Thousands of U.S. dollars
2007.....	¥1,007,025	\$ 8,607,051
2008.....	850,796	7,271,761
2009.....	683,711	5,843,684
2010 and thereafter.....	619,388	5,293,915
	¥3,160,920	\$27,016,411

The assets pledged as collateral for short-term borrowings of ¥548,342 million (\$4,686,684 thousand) and long-term debt of ¥1,583,358 million (\$13,532,974 thousand) at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Receivables.....	¥1,539,492	\$13,158,051
Property, plant and equipment, at net book value.....	930,487	7,952,881
Other assets.....	1,660	14,188
	¥2,471,639	\$21,125,120

In addition to the above, at March 31, 2006, finance receivables of ¥106,201 million (\$907,701 thousand) which have been eliminated from the accompanying consolidated balance sheet were pledged as collateral for short-term borrowings of ¥106,092 million (\$906,769 thousand).

9. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans ("WFPF"), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Effective July 1, 2005, a portion of the benefit obligations under the above plans was transferred to newly established defined contribution plans. In this connection, the pension plan assets of ¥45,762 million were also transferred to these defined contribution plans during the year ended March 31, 2006.

Certain foreign consolidated subsidiaries have defined benefit and/or defined contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

As of	Millions of yen		Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Retirement benefit obligation.....	¥(1,239,004)	¥(1,217,260)	\$(10,589,778)
Plan assets at fair value.....	817,371	500,815	6,986,077
Unfunded retirement benefit obligation.....	(421,633)	(716,445)	(3,603,701)
Unrecognized net retirement benefit obligation at transition.....	99,966	120,718	854,410
Unrecognized actuarial loss.....	120,920	154,689	1,033,505
Unrecognized prior service cost.....	(66,714)	(66,720)	(570,205)
Net retirement benefit obligation.....	(267,461)	(507,758)	(2,285,991)
Prepaid pension cost.....	234	445	2,000
Accrued retirement benefits.....	¥ (267,695)	¥ (508,203)	\$ (2,287,991)

Certain domestic subsidiaries received the approval from the Minister of Health, Labour and Welfare in the years ended March 31, 2006, 2005, and 2004 with respect to their application for an exemption from the obligation for benefits related to future employee services and for the return of the past benefit obligation and related pension plan assets under the substitutional portion of the WFPF.

The components of retirement benefit expenses for the years ended March 31, 2006, 2005 and 2004 are outlined as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
Service cost.....	¥41,022	¥47,802	¥48,418	\$350,615
Interest cost.....	36,809	33,288	33,012	314,607
Expected return on plan assets.....	(29,581)	(17,999)	(15,523)	(252,829)
Amortization of net retirement benefit obligation at transition.....	11,265	12,009	14,169	96,282
Amortization of actuarial loss.....	12,542	12,298	18,689	107,197
Amortization of prior service cost.....	(5,967)	(5,431)	(7,049)	(51,000)
Other.....	2,476	179	57	21,162
Retirement benefit expenses.....	68,566	82,146	91,773	586,034
Gain on return of the substitutional portion of welfare pension fund plans.....	(772)	(1,107)	(5,594)	(6,598)
Loss on implementation of defined contribution plans.....	3,570	—	—	30,513
Total.....	¥71,364	¥81,039	¥86,179	\$609,949

The assumptions used in accounting for the above plans were as follows:

	For the years ended	2005	2004
		Mar. 31, 2006	Mar. 31, 2005
Discount rates	Domestic companies.....	2.1% - 2.3%	2.3% - 2.5%
	Overseas companies.....	2.5% - 6.0%	2.5% - 9.5%
Expected rates of return on plan assets	Domestic companies.....	Mainly 3.0%	Mainly 3.0%
	Overseas companies.....	3.0% - 9.0%	2.2% - 9.5%
Amortization period of prior service cost.....		Mainly 9-15 years	Mainly 9-15 years
Recognition period of actuarial loss.....		Mainly 9-18 years	Mainly 8-18 years

10. SHAREHOLDERS' EQUITY

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which is included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥53,838 million (\$460,154 thousand) at both March 31, 2006 and 2005.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The new Corporation Law of Japan ("the Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law stipulates requirements on distributions of earnings similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2006, 2005 and 2004 amounted to ¥447,582 million (\$3,825,487 thousand), ¥398,148 million and ¥354,321 million, respectively.

12. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for each of the three years in the period ended March 31, 2006 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<i>For the years ended</i>	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004
Dividend income.....	¥ 3,721	¥ 1,340	¥ 1,270	\$ 31,803
Gain on sales of fixed assets.....	16,742	24,038	4,163	143,094
Loss on disposal of fixed assets.....	(22,213)	(20,115)	(18,449)	(189,855)
Net gain (loss) on sales of investment securities.....	40,223	7,232	(7,113)	343,786
Foreign exchange (loss) gain.....	(34,836)	801	16,444	(297,744)
Amortization of net retirement benefit obligation at transition.....	(11,145)	(11,795)	(13,936)	(95,256)
Gain on return of substitutional portion of welfare pension fund plans (Note 9).....	772	1,107	5,594	6,598
Loss on restructuring of consolidated subsidiaries' operations.....	(9,404)	(8,752)	(26,164)	(80,376)
Settlement loss on withdrawal from multi-employer retirement benefit plan.....	—	(6,337)	—	—
Impairment loss on fixed assets (Note 2 (f)).....	(26,827)	—	—	(229,291)
Net loss on implementation of defined contribution plans.....	(3,570)	—	—	(30,513)
Expenses related to share appreciation rights plan.....	(18,332)	—	—	(156,684)
Other.....	(26,693)	(80,514)	(44,821)	(228,143)
	¥(91,562)	¥(92,995)	¥(83,012)	\$ (782,581)

13. INCOME TAXES

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 41% for 2005 and 2004 and 42% for 2003. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2006, 2005 and 2004 differ from the statutory tax rates for the following reasons:

	<i>For the years ended</i>	2005	2004	2003
		<i>Mar. 31, 2006</i>	<i>Mar. 31, 2005</i>	<i>Mar. 31, 2004</i>
Statutory tax rates		40.6%	40.6%	41.9%
Effect of:				
Decrease in valuation allowance		(1.0)	(1.9)	(5.5)
Different tax rates applied to overseas subsidiaries		(3.1)	(2.7)	(4.3)
Tax credits		(2.7)	(1.5)	(2.0)
Equity in earnings of unconsolidated subsidiaries and affiliates		(1.9)	(1.9)	(0.6)
Other		(0.5)	(0.1)	0.2
Effective tax rates		31.4%	32.5%	29.7%

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>As of</i>	2005	2004
		<i>Mar. 31, 2006</i>	<i>Mar. 31, 2005</i>
Deferred tax assets:			2005
Net operating loss carryforwards	¥	20,343	¥ 24,660
Accrued retirement benefits		157,319	172,379
Accrual for warranty costs		67,461	38,047
Other		454,878	379,543
Gross deferred tax assets		700,001	614,629
Valuation allowance		(38,880)	(36,369)
Total deferred tax assets		661,121	578,260
Deferred tax liabilities:			2005
Reserves under Special Taxation Measures Law, etc.	(440,939)		(379,924)
Difference between cost of investments and their underlying net equity at fair value	(81,634)		(88,840)
Unrealized holding gain on securities	(14,828)		(5,971)
Other	(155,465)		(128,577)
Total deferred tax liabilities	(692,866)		(603,312)
Net deferred tax liabilities	¥ (31,745)	¥ (25,052)	\$ (271,325)

14. RETAINED EARNINGS

Other changes in retained earnings for each of the three years in the period ended March 31, 2006 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<i>For the years ended</i>	2005 <i>Mar. 31, 2006</i>	2004 <i>Mar. 31, 2005</i>	2003 <i>Mar. 31, 2004</i>
Adjustments for revaluation of accounts of consolidated subsidiaries based on general price-level accounting (Note 1 (b)).....	¥ 9,331	¥12,942	¥ 9,460	\$ 79,752
Loss on disposition of treasury stock.....	(11,507)	(4,700)	(8,171)	(98,350)
Effect of adoption of accounting standard for retirement benefits by overseas subsidiaries (Note 2 (b)).....	—	—	(18,132)	—
Decrease due to increase in unfunded retirement benefit obligation of overseas subsidiaries.....	(884)	(369)	—	(7,556)
Adjustments to retained earnings at beginning of the year for inclusion in or exclusion from consolidation or the equity method of accounting for subsidiaries and affiliates, and certain other adjustments.....	(2,672)	1,104	(4,176)	(22,838)
Changes in land revaluation of overseas subsidiaries.....	1,646	2,182	—	14,068
Decrease due to one affiliate's transition to International Financial Reporting Standards.....	(6,004)	—	—	(51,317)
	¥(10,090)	¥11,159	¥(21,019)	\$ (86,241)

15. SUPPLEMENTARY CASH FLOW INFORMATION

The following is a summary of the assets and liabilities of Calsonic Kansei Corporation and its 11 subsidiaries, which were newly consolidated following the acquisition of their shares through a private placement during the year ended March 31, 2005:

	<i>Millions of yen</i>
<i>For the year ended</i>	2004 <i>Mar. 31, 2005</i>
Current assets.....	¥ 69,926
Fixed assets.....	126,242
Total assets.....	¥196,168
Current liabilities.....	¥ (21,146)
Long-term liabilities.....	(55,714)
Total liabilities.....	¥ (76,860)

The following is a summary of the assets and liabilities of Dongfeng Motor Co., Ltd., which was newly consolidated as a result of the transfer of all its shares to the Company's consolidated subsidiary, Nissan China Investment Co., Ltd., during the year ended March 31, 2005:

	<i>Millions of yen</i>
<i>For the year ended</i>	2004 <i>Mar. 31, 2005</i>
Current assets.....	¥ 106,744
Fixed assets.....	44,094
Total assets.....	¥ 150,838
Current liabilities.....	¥(109,922)
Long-term liabilities.....	(22,218)
Total liabilities.....	¥(132,140)

16. LEASE TRANSACTIONS

a) Lessees' accounting

Future minimum lease payments subsequent to March 31, 2006 for noncancelable operating leases are summarized as follows:

<i>Year ending Mar. 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2007	¥ 6,975	\$ 59,615
2008 and thereafter	20,913	178,744
Total.....	¥27,888	\$238,359

b) Lessors' accounting

Future minimum lease income subsequent to March 31, 2006 from noncancelable operating leases is summarized as follows:

<i>Year ending Mar. 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2007	¥329,177	\$2,813,479
2008 and thereafter	422,419	3,610,419
Total.....	¥751,596	\$6,423,898

See Note 2 (c) for the change in the method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of assets.

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
As endorser of notes receivable discounted with banks	¥ 3,666	\$ 31,333
As guarantor of employees' housing loans from banks and others	221,778	1,895,538
	¥225,444	\$1,926,871

In addition to the above, at March 31, 2006, the Company was committed to provide guarantees of indebtedness of certain unconsolidated subsidiaries and affiliates in the aggregate amount of ¥2,515 million (\$21,496 thousand) at the request of the lending banks. The outstanding balance of installment receivables sold with recourse amounted to ¥12,252 million (\$104,718 thousand) at March 31, 2006.

Certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥152,879 million (\$1,306,658 thousand) with their customers and others. The loans receivable outstanding and the unused balances under these credit facilities at March 31, 2006 amounted to ¥15,627 million (\$133,564 thousand) and ¥137,252 million (\$1,173,094 thousand), respectively. Since many of these credit facilities expire without being utilized and the related borrowings are sometimes subject to a review of the borrowers' creditworthiness, any unused amount may not necessarily be fully utilized.

18. AMOUNTS PER SHARE

	Yen			U.S. dollars	
	For the years ended	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
Net income:					
Basic		¥126.94	¥125.16	¥122.02	\$1.085
Diluted		125.96	124.01	120.74	1.077
Cash dividends applicable to the year		¥ 29.00	¥ 24.00	¥ 19.00	\$0.248

	Yen		U.S. dollars	
	As of	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Net assets		¥753.40	¥604.49	\$6.439

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Amounts per share of net assets are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with any interim cash dividends paid.

19. SECURITIES

a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2006 and 2005 is as follows:

Marketable held-to-maturity debt securities

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:						
Corporate bonds.....	¥59	¥59	¥ —	\$504	\$504	\$ —
Total.....	¥59	¥59	¥ —	\$504	\$504	\$ —

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:			
Corporate bonds.....	¥201	¥201	¥ —
Total.....	¥201	¥201	¥ —

Marketable other securities

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock.....	¥4,646	¥29,549	¥24,903	\$39,709	\$252,556	\$212,847
Debt securities.....	19	20	1	162	171	9
Subtotal.....	¥4,665	¥29,569	¥24,904	\$39,871	\$252,727	\$212,856
Securities whose acquisition cost exceeds their carrying value:						
Stock.....	¥ 766	¥ 539	¥ (227)	\$ 6,547	\$ 4,607	\$ (1,940)
Subtotal.....	¥ 766	¥ 539	¥ (227)	\$ 6,547	\$ 4,607	\$ (1,940)
Total.....	¥5,431	¥30,108	¥24,677	\$46,418	\$257,334	\$210,916

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock.....	¥3,781	¥15,833	¥12,052
Debt securities.....	19	20	1
Others.....	15	18	3
Subtotal.....	¥3,815	¥15,871	¥12,056
Securities whose acquisition cost exceeds their carrying value:			
Stock.....	¥ 679	¥ 428	¥ (251)
Others.....	214	191	(23)
Subtotal.....	¥ 893	¥ 619	¥ (274)
Total.....	¥4,708	¥16,490	¥11,782

b) Sales of securities classified as other securities and the related aggregate gain and loss are summarized as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
Sales proceeds.....	¥6,156	¥2,032	¥4,048	\$52,615
Aggregate gain.....	305	1,225	1,500	2,607
Aggregate loss.....	(37)	(13)	(32)	(316)

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2006 is summarized as follows:

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds.....	¥20	¥—	¥—	¥—
Corporate bonds.....	—	—	59	—
Others.....	—	4	—	—
Total.....	¥20	¥4	¥59	¥—

Fiscal year 2005 (As of Mar. 31, 2006)

	<i>Thousands of U.S. dollars</i>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds.....	\$171	\$ —	\$ —	\$—
Corporate bonds.....	—	—	504	—
Others.....	—	34	—	—
Total.....	\$171	\$34	\$504	\$—

20. DERIVATIVE TRANSACTIONS

Hedging Policies

The Company and its consolidated subsidiaries (collectively, the "Group") utilize derivative transactions for the purpose of hedging their exposure to fluctuation in foreign exchange rates, interest rates and market prices. However, based on an internal management rule on financial market risk (the "Rule") approved by the Company's Board of Directors, they do not enter into transactions involving derivatives for speculative purposes. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary can initiate a hedge position without the prior approval of, and regular reporting back to the Company.

Risk to be hedged by derivative transactions

(1) Market risk

The financial market risk to which the Group is generally exposed in its operations and the relevant derivative transactions primarily used for hedging are summarized as follows:

- Foreign exchange risk associated with assets and liabilities denominated in foreign currencies: forward foreign exchange contracts, foreign currency options, and currency swaps;
- Interest rate risk associated with sourcing funds and investing: interest-rate swaps;
- Risk of fluctuation in stock prices: options on stocks;
- Risk of fluctuation in commodity prices (mainly for precious metals): commodity futures contracts

(2) Credit risk

The Group is exposed to the risk that a counterparty to its financial transactions could default and jeopardize future profits. We believe that this risk is insignificant as the Group enters into derivative transactions only with financial institutions which have a sound credit profile. The Group enters into these transactions also with Renault Finance S.A. ("RF"), a specialized financial subsidiary of the Renault Group which, we believe, is not subject to any such material risk. This is because RF enters into derivative transactions to cover such derivative transactions with us only with financial institutions of the highest caliber carefully selected by RF based on its own rating system which takes into account each counterparty's long-term credit rating and shareholders' equity.

(3) Legal risk

The Group is exposed to the risk of entering into a financial agreement which may contain inappropriate terms and conditions as well as to the risk that an existing contract may subsequently be affected by revisions to the relevant laws and regulations. The Company's Legal Department and Finance Department make every effort to minimize legal risk by reviewing any new agreements of significance and by reviewing the related documents in a centralized manner.

Risk Management

All strategies to manage financial market risk and risk hedge operations of the Group are carried out pursuant to the Rule which stipulates the Group's basic policies for derivative transactions, management policies, management items, procedures, criteria for the selection of counterparties, and the reporting system, and so forth. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary is permitted to initiate a hedging operation without the prior approval of, and regular reporting back to the Company.

The basic hedge policy is subject to the approval of the Monthly Hedge Policy Meeting attended by the corporate officer in charge of Treasury Department. Execution and management of all deals are to be conducted pursuant to the Rule. Derivative transactions are conducted by a special section of the Treasury Department and monitoring of contracts for such transactions and confirming the balance of all open positions are the responsibility of back office and risk management section. Commodity futures contracts are to be handled also by Treasury Department under guidelines which are to be drawn up by the MRMC (Materials Risk Management Committee). The MRMC is chaired by the corporate officer in charge of the Purchasing Department and the corporate officer in charge of Treasury Department and it will meet approximately once every six months.

The status of derivative transactions is reported on a daily basis to the chief officer in charge of Treasury Department and on an annual basis to the Board of Directors. Credit risk is monitored quantitatively with reference to Renault's rating system based principally on the counterparties' long-term credit ratings and on their shareholders' equity. The Finance Department sets a maximum upper limit on positions with each of the counterparties for the Group and monitors the balances of open positions every day.

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2006 and 2005:

1) Currency-related transactions

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sell:						
USD.....	¥ 8,326	¥8,523	¥ (197)	\$ 71,162	\$72,846	\$(1,684)
EUR.....	1,117	1,134	(17)	9,547	9,692	(145)
ZAR.....	668	717	(49)	5,709	6,128	(419)
GBP.....	9	9	—	77	77	—
Others.....	33	32	1	282	273	9
Buy:						
EUR.....	876	828	(48)	7,487	7,077	(410)
USD.....	3,078	3,082	4	26,308	26,342	34
Others.....	174	168	(6)	1,487	1,436	(51)
Currency swaps:						
EUR.....	¥105,906	¥ (253)	¥ (253)	\$905,179	\$(2,163)	\$(2,163)
GBP.....	16,771	(16)	(16)	143,342	(137)	(137)
USD.....	37,049	422	422	316,658	3,607	3,607
AUD.....	39,199	(605)	(605)	335,034	(5,171)	(5,171)
HKD.....	5,222	100	100	44,632	855	855
CAD.....	4,106	(1,120)	(1,120)	35,094	(9,573)	(9,573)
ZAR.....	2,450	(27)	(27)	20,940	(231)	(231)
Total.....	—	—	¥(1,811)	—	—	\$(15,479)

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
USD.....	¥ 9,678	¥9,222	¥456
CAD.....	7,122	7,201	(79)
ZAR.....	777	729	48
GBP.....	3,100	3,075	25
Buy:			
USD.....	7,238	7,026	(212)
Currency swaps:			
EUR.....	¥116,844	¥ (1)	¥ (1)
USD.....	107,144	662	662
AUD.....	26,216	41	41
HKD.....	5,307	—	—
Total.....	—	—	¥940

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

2) Interest-related transactions

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive/floating and pay/fixed.....	¥127,717	¥ 640	¥ 640	\$1,091,598	\$ 5,470	\$ 5,470
Receive/fixed and pay/floating.....	239,000	757	757	2,042,735	6,470	6,470
Options:						
Caps sold.....	¥515,208			\$4,403,487		
(Premium).....	(—)	(5,823)	(5,823)	(—)	(49,769)	(49,769)
Caps purchased.....	515,208			4,403,487		
(Premium).....	(—)	5,823	5,823	(—)	49,769	49,769
Total.....	—	—	¥1,397	—	—	\$11,940

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive/floating and pay/fixed.....	¥185,695	¥2,774	¥2,774
Receive/fixed and pay/floating.....	192,885	3,287	3,287
Options:			
Caps sold.....	¥441,875		
(Premium).....	(—)	(7,289)	(7,289)
Caps purchased.....	441,875		
(Premium).....	(—)	7,289	7,289
Total.....	—	—	¥6,061

Note: The notional amounts of the interest rate swaps and options presented above exclude those for which the deferral hedge accounting has been applied.

21. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the automobile segment and in providing various financial services to the users of the Company's products in the sales financing segment. These products, which are sold in Japan and overseas, principally in North America and Europe, include passenger cars, buses and trucks as well as the related parts. Financial services include primarily leases and credits principally in Japan and North America.

Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2006, 2005 and 2004 is as follows:

	Fiscal year 2005 (For the year ended Mar. 31, 2006)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
<i>Millions of yen</i>					
I. Sales and operating income					
Sales to third parties.....	¥8,895,143	¥ 533,149	¥ 9,428,292	¥ —	¥ 9,428,292
Inter-segment sales and transfers.....	28,563	14,794	43,357	(43,357)	—
Total sales.....	8,923,706	547,943	9,471,649	(43,357)	9,428,292
Operating expenses.....	8,160,292	478,218	8,638,510	(82,059)	8,556,451
Operating income.....	¥ 763,414	¥ 69,725	¥ 833,139	¥ 38,702	¥ 871,841
II. Assets, depreciation and capital expenditures					
Total assets.....	¥7,152,144	¥5,710,239	¥12,862,383	¥(1,380,957)	¥11,481,426
Depreciation and amortization.....	¥ 400,787	¥ 254,615	¥ 655,402	¥ —	¥ 655,402
Impairment loss on fixed assets.....	¥ 26,794	¥ 33	¥ 26,827	¥ —	¥ 26,827
Capital expenditures.....	¥ 503,916	¥ 920,398	¥ 1,424,314	¥ —	¥ 1,424,314

	Fiscal year 2005 (For the year ended Mar. 31, 2006)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
<i>Thousands of U.S. dollars</i>					
I. Sales and operating income					
Sales to third parties.....	\$76,026,863	\$ 4,556,829	\$ 80,583,692	\$ —	\$80,583,692
Inter-segment sales and transfers.....	244,129	126,444	370,573	(370,573)	—
Total sales.....	76,270,992	4,683,273	80,954,265	(370,573)	80,583,692
Operating expenses.....	69,746,086	4,087,333	73,833,419	(701,359)	73,132,060
Operating income.....	\$ 6,524,906	\$ 595,940	\$ 7,120,846	\$ 330,786	\$ 7,451,632
II. Assets, depreciation and capital expenditures					
Total assets.....	\$61,129,435	\$48,805,462	\$109,934,897	\$(11,803,051)	\$98,131,846
Depreciation and amortization.....	\$ 3,425,529	\$ 2,176,197	\$ 5,601,726	\$ —	\$ 5,601,726
Impairment loss on fixed assets.....	\$ 229,009	\$ 282	\$ 229,291	\$ —	\$ 229,291
Capital expenditures.....	\$ 4,306,975	\$ 7,866,649	\$ 12,173,624	\$ —	\$12,173,624

Fiscal year 2004 (For the year ended Mar. 31, 2005)					
	Automobile	Sales Financing	Total	Eliminations	Consolidated
<i>Millions of yen</i>					
I. Sales and operating income					
Sales to third parties.....	¥8,177,841	¥398,436	¥8,576,277	¥ —	¥8,576,277
Inter-segment sales and transfers.....	23,742	13,509	37,251	(37,251)	—
Total sales.....	8,201,583	411,945	8,613,528	(37,251)	8,576,277
Operating expenses.....	7,429,760	338,388	7,768,148	(53,031)	7,715,117
Operating income.....	¥ 771,823	¥ 73,557	¥ 845,380	¥ 15,780	¥ 861,160
II. Assets, depreciation and capital expenditures					
Total assets.....	¥6,646,594	¥4,596,322	¥11,242,916	¥(1,394,393)	¥9,848,523
Depreciation and amortization.....	¥ 349,163	¥ 176,763	¥ 525,926	¥ —	¥ 525,926
Capital expenditures.....	¥ 469,283	¥ 582,468	¥ 1,051,751	¥ —	¥1,051,751

Fiscal year 2003 (For the year ended Mar. 31, 2004)					
	Automobile	Sales Financing	Total	Eliminations	Consolidated
<i>Millions of yen</i>					
I. Sales and operating income					
Sales to third parties.....	¥7,072,982	¥ 356,237	¥7,429,219	¥ —	¥7,429,219
Inter-segment sales and transfers.....	22,916	9,752	32,668	(32,668)	—
Total sales.....	7,095,898	365,989	7,461,887	(32,668)	7,429,219
Operating expenses.....	6,340,631	301,179	6,641,810	(37,446)	6,604,364
Operating income.....	¥ 755,267	¥ 64,810	¥ 820,077	¥ 4,778	¥ 824,855
II. Assets, depreciation and capital expenditures					
Total assets.....	¥5,847,139	¥3,479,171	¥9,326,310	¥(1,466,454)	¥7,859,856
Depreciation and amortization.....	¥ 313,289	¥ 147,748	¥ 461,037	¥ —	¥ 461,037
Capital expenditures.....	¥ 441,384	¥ 463,616	¥ 905,000	¥ —	¥ 905,000

- a) As described in Note 2 (b), effective April 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, implemented early adoption of a new accounting standard for retirement benefits in the United Kingdom. The effect of this change was to decrease operating income in the "Automobile" segment by ¥1,686 million for the year ended March 31, 2004 from the corresponding amount which would have been recorded if the previous method had been followed.
- b) As described in Note 2 (c), effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of the assets to the lessee, from accounting for them as operating leases, to finance leases. The effect of this change was to decrease sales and operating expenses in the "Automobile" segment by ¥237 million and ¥21,805 million respectively, to increase operating income, total assets, depreciation expense and capital expenditures in the "Automobile" segment by ¥21,568 million ¥136,522 million, ¥46,986 million and ¥55,581 million, respectively, to decrease sales and operating expenses and capital expenditures in the "Sales Financing" segment by ¥33,351 million, ¥33,374 million and ¥29,716 million, respectively, to increase operating income, total assets and depreciation expense in the "Sales Financing" segment by ¥23 million, ¥662 million and ¥292 million, respectively, and to increase sales and operating expenses in "Eliminations" by ¥15,645 million for the year ended March 31, 2004 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.
- c) As described in Note 2 (f), effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. The effect of this change was to decrease total assets by ¥26,794 million and ¥33 million in the "Automobile" and "Sales Financing" segments, respectively, at March 31, 2006 from the corresponding amounts which would have been recorded if the previous method had been followed.

The following tables set forth the summarized financial statements by business segment for the years ended March 31, 2006, 2005 and 2004. Amounts for the sales financing segment represent the aggregate of the figures for the sales financing subsidiaries and operations in Japan, the United States, Canada and Mexico. Amounts for the automobile and Eliminations segment represent the differences between the consolidated totals and those for the sales financing segment.

1) Summarized consolidated balance sheets by business segment

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Cash and cash equivalents.....	¥ 392,505	¥ 11,707	¥ 404,212	\$ 3,354,744	\$ 100,059	\$ 3,454,803
Short-term investments.....	22,051	98	22,149	188,470	838	189,308
Receivables, less allowance for doubtful receivables.....	228,405	3,761,343	3,989,748	1,952,179	32,148,231	34,100,410
Inventories.....	847,243	9,256	856,499	7,241,393	79,111	7,320,504
Other current assets.....	481,236	268,410	749,646	4,113,128	2,294,103	6,407,231
Total current assets.....	1,971,440	4,050,814	6,022,254	16,849,914	34,622,342	51,472,256
Property, plant and equipment, net.....	2,926,753	1,512,055	4,438,808	25,014,983	12,923,547	37,938,530
Investment securities.....	401,520	1,866	403,386	3,431,795	15,949	3,447,744
Other assets.....	471,474	145,504	616,978	4,029,692	1,243,624	5,273,316
Total assets.....	¥5,771,187	¥5,710,239	¥11,481,426	\$49,326,384	\$48,805,462	\$98,131,846
Short-term borrowings and current portion of long-term debt.....	¥ (608,176)	¥3,200,465	¥ 2,592,289	\$ (5,198,086)	\$27,354,402	\$22,156,316
Notes and accounts payable.....	1,482,002	50,318	1,532,320	12,666,684	430,068	13,096,752
Accrued income taxes.....	90,428	15,559	105,987	772,889	132,983	905,872
Other current liabilities.....	539,351	81,762	621,113	4,609,838	698,820	5,308,658
Total current liabilities.....	1,503,605	3,348,104	4,851,709	12,851,325	28,616,273	41,467,598
Long-term debt.....	627,788	1,597,815	2,225,603	5,365,709	13,656,539	19,022,248
Other long-term liabilities.....	677,426	352,812	1,030,238	5,789,966	3,015,487	8,805,453
Total long-term liabilities.....	1,305,214	1,950,627	3,255,841	11,155,675	16,672,026	27,827,701
Total liabilities.....	2,808,819	5,298,731	8,107,550	24,007,000	45,288,299	69,295,299
Minority interests.....	284,062	1,831	285,893	2,427,880	15,650	2,443,530
Common stock.....	514,489	91,325	605,814	4,397,342	780,555	5,177,897
Capital surplus.....	773,623	30,847	804,470	6,612,162	263,650	6,875,812
Retained earnings.....	1,855,971	260,854	2,116,825	15,863,000	2,229,521	18,092,521
Unrealized holding gain on securities.....	14,156	184	14,340	120,991	1,573	122,564
Translation adjustments.....	(230,780)	26,467	(204,313)	(1,972,478)	226,214	(1,746,264)
Treasury stock.....	(249,153)	—	(249,153)	(2,129,513)	—	(2,129,513)
Total shareholders' equity.....	2,678,306	409,677	3,087,983	22,891,504	3,501,513	26,393,017
Total liabilities and shareholders' equity.....	¥5,771,187	¥5,710,239	¥11,481,426	\$49,326,384	\$48,805,462	\$98,131,846

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Cash and cash equivalents.....	¥ 280,176	¥ 9,608	¥ 289,784
Short-term investments.....	20,431	3,485	23,916
Receivables, less allowance for doubtful receivables.....	296,364	3,193,181	3,489,545
Inventories.....	702,534	5,528	708,062
Other current assets.....	388,956	239,131	628,087
Total current assets.....	1,688,461	3,450,933	5,139,394
Property, plant and equipment, net.....	2,774,719	1,022,228	3,796,947
Investment securities.....	361,632	289	361,921
Other assets.....	427,389	122,872	550,261
Total assets.....	¥5,252,201	¥4,596,322	¥9,848,523
Short-term borrowings and current portion of long-term debt.....	¥ (552,052)	¥2,536,002	¥1,983,950
Notes and accounts payable.....	1,343,000	41,163	1,384,163
Accrued income taxes.....	56,256	7,307	63,563
Other current liabilities.....	485,753	57,285	543,038
Total current liabilities.....	1,332,957	2,641,757	3,974,714
Long-term debt.....	626,437	1,336,736	1,963,173
Other long-term liabilities.....	914,039	274,146	1,188,185
Total long-term liabilities.....	1,540,476	1,610,882	3,151,358
Total liabilities.....	2,873,433	4,252,639	7,126,072
Minority interests.....	256,656	45	256,701
Common stock.....	517,260	88,554	605,814
Capital surplus.....	774,403	30,067	804,470
Retained earnings.....	1,487,577	227,522	1,715,099
Unrealized holding gain on securities.....	7,189	166	7,355
Translation adjustments.....	(397,428)	(2,671)	(400,099)
Treasury stock.....	(266,889)	—	(266,889)
Total shareholders' equity.....	2,122,112	343,638	2,465,750
Total liabilities and shareholders' equity.....	¥5,252,201	¥4,596,322	¥9,848,523

(Interest-bearing debt)

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Short-term borrowings from third parties.....	¥ 302,471	¥2,231,295	¥2,533,766	\$ 2,585,222	\$19,070,898	\$21,656,120
Internal loans to sales financing companies.....	(968,451)	968,451	—	(8,277,359)	8,277,359	—
Short-term borrowings per the balance sheet.....	(665,980)	3,199,746	2,533,766	(5,692,137)	27,348,257	21,656,120
Bonds and debentures.....	381,346	326,861	708,207	3,259,368	2,793,683	6,053,051
Long-term borrowings from third parties.....	174,734	1,270,954	1,445,688	1,493,453	10,862,855	12,356,308
Internal loans to sales financing companies.....	—	—	—	—	—	—
Long-term borrowings per the balance sheet.....	174,734	1,270,954	1,445,688	1,493,453	10,862,855	12,356,308
Lease obligations.....	129,512	719	130,231	1,106,940	6,145	1,113,085
Total interest-bearing debt.....	19,612	4,798,280	4,817,892	167,624	41,010,940	41,178,564
Cash and cash equivalents.....	392,505	11,707	404,212	3,354,744	100,059	3,454,803
Net interest-bearing debt (net cash and cash equivalents).....	(372,893)	4,786,573	4,413,680	(3,187,120)	40,910,881	37,723,761
Debt for Canton Plant included above.....	98,500	—	98,500	841,880	—	841,880
Lease obligations included above.....	129,512	719	130,231	1,106,940	6,145	1,113,085
Net interest-bearing debt (net cash and cash equivalents) (excluding that related to Canton Plant and lease obligations).....	¥(600,905)	¥4,785,854	¥4,184,949	\$(5,135,940)	\$40,904,736	\$35,768,796

Fiscal year 2004 (As of Mar. 31, 2005)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Short-term borrowings from third parties.....	¥ 363,701	¥1,561,917	¥1,925,618
Internal loans to sales financing companies.....	(973,169)	973,169	—
Short-term borrowings per the balance sheet.....	(609,468)	2,535,086	1,925,618
Bonds and debentures.....	320,602	172,523	493,125
Long-term borrowings from third parties.....	209,291	1,164,213	1,373,504
Internal loans to sales financing companies.....	—	—	—
Long-term borrowings per the balance sheet.....	209,291	1,164,213	1,373,504
Lease obligations.....	153,960	916	154,876
Total interest-bearing debt.....	74,385	3,872,738	3,947,123
Cash and cash equivalents.....	280,176	9,608	289,784
Net interest-bearing debt (net cash and cash equivalents).....	(205,791)	3,863,130	3,657,339
Debt for Canton Plant included above.....	93,719	—	93,719
Lease obligations included above.....	153,960	916	154,876
Net interest-bearing debt (net cash and cash equivalents) (excluding that related to Canton Plant and lease obligations).....	¥(453,470)	¥3,862,214	¥3,408,744

2) Summarized consolidated statements of income by business segment

Fiscal year 2005 (For the year ended Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Net sales	¥8,880,349	¥547,943	¥9,428,292	\$75,900,419	\$4,683,273	\$80,583,692
Cost of sales	6,649,937	391,050	7,040,987	56,837,068	3,342,308	60,179,376
Gross profit	2,230,412	156,893	2,387,305	19,063,351	1,340,965	20,404,316
Operating income	802,116	69,725	871,841	6,855,692	595,940	7,451,632
Operating income as a percentage of net sales	9.0%	12.7%	9.2%	9.0%	12.7%	9.2%
Net financial cost	(4,555)	(11)	(4,566)	(38,932)	(94)	(39,026)
Income before income taxes and minority interests	739,962	69,079	809,041	6,324,462	590,418	6,914,880
Net income	¥ 476,688	¥ 41,362	¥ 518,050	\$ 4,074,256	\$ 353,522	\$ 4,427,778
Total net financial cost	¥ (4,555)	¥ (11)	¥ (4,566)	\$ (38,932)	\$ (94)	\$ (39,026)
Interest on lease obligations	(3,952)	(16)	(3,968)	(33,778)	(137)	(33,915)
Intersegment eliminations	(37,507)	—	(37,507)	(320,573)	—	(320,573)
Net financial cost for segment	36,904	5	36,909	315,419	43	315,462

Fiscal year 2004 (For the year ended Mar. 31, 2005)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Net sales	¥8,164,332	¥411,945	¥8,576,277
Cost of sales	6,094,196	257,073	6,351,269
Gross profit	2,070,136	154,872	2,225,008
Operating income	787,603	73,557	861,160
Operating income as a percentage of net sales	9.6%	17.9%	10.0%
Net financial cost	(10,371)	(11)	(10,382)
Income before income taxes and minority interests	720,764	72,469	793,233
Net income	¥ 472,680	¥ 39,601	¥ 512,281
Total net financial cost	¥ (10,371)	¥ (11)	¥ (10,382)
Interest on lease obligations	(4,097)	(20)	(4,117)
Intersegment eliminations	(12,524)	—	(12,524)
Net financial cost for segment	6,250	9	6,259

Fiscal year 2003 (For the year ended Mar. 31, 2004)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Net sales	¥7,063,230	¥365,989	¥7,429,219
Cost of sales	5,098,056	212,116	5,310,172
Gross profit	1,965,174	153,873	2,119,047
Operating income	760,045	64,810	824,855
Operating income as a percentage of net sales	10.8%	17.7%	11.1%
Net financial cost	(15,669)	(30)	(15,699)
Income before income taxes and minority interests	671,513	64,984	736,497
Net income	¥ 465,329	¥ 38,338	¥ 503,667
Total net financial cost	¥ (15,669)	¥ (30)	¥ (15,699)
Interest on lease obligations	(4,603)	(20)	(4,623)
Intersegment eliminations	(5,322)	—	(5,322)
Net financial cost for segment	(5,744)	(10)	(5,754)

3) Summarized consolidated statements of cash flows by business segment

Fiscal year 2005 (For the year ended Mar. 31, 2006)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Operating activities						
Income before income taxes and minority interests.....	¥739,962	¥ 69,079	¥ 809,041	\$6,324,462	\$ 590,418	\$6,914,880
Depreciation and amortization	400,787	254,615	655,402	3,425,529	2,176,197	5,601,726
(Increase) decrease in sales						
finance receivables.....	19,341	(331,026)	(311,685)	165,308	(2,829,282)	(2,663,974)
Other.....	(468,999)	74,110	(394,889)	(4,008,538)	633,419	(3,375,119)
Net cash provided by operating activities.....	691,091	66,778	757,869	5,906,761	570,752	6,477,513
Investing activities						
Proceeds from sales of investment securities including shares of subsidiaries.....	50,765	—	50,765	433,889	—	433,889
Proceeds from sales of property, plant and equipment.....	55,789	1	55,790	476,829	9	476,838
Purchases of fixed assets	(456,550)	(14,479)	(471,029)	(3,902,137)	(123,752)	(4,025,889)
Purchases of leased vehicles	(47,366)	(905,919)	(953,285)	(404,838)	(7,742,897)	(8,147,735)
Proceeds from sales of leased vehicles.....	37,523	226,601	264,124	320,709	1,936,761	2,257,470
Other.....	(59,951)	831	(59,120)	(512,401)	7,102	(505,299)
Net cash used in investing activities.....	(419,790)	(692,965)	(1,112,755)	(3,587,949)	(5,922,777)	(9,510,726)
Financing activities						
Increase in short-term borrowings.....	16,565	359,483	376,048	141,581	3,072,504	3,214,085
(Decrease) increase in long-term borrowings and redemption of bonds and debentures.....	(228,985)	102,227	(126,758)	(1,957,137)	873,735	(1,083,402)
Increase in bonds and debentures.....	227,386	163,320	390,706	1,943,470	1,395,898	3,339,368
Other.....	(183,960)	1,883	(182,077)	(1,572,307)	16,094	(1,556,213)
Net cash provided by (used in) financing activities.....	(168,994)	626,913	457,919	(1,444,393)	5,358,231	3,913,838
Effect of exchange rate changes on cash and cash equivalents	10,016	1,373	11,389	85,607	11,734	97,341
Increase in cash and cash equivalents	112,323	2,099	114,422	960,026	17,940	977,966
Cash and cash equivalents at beginning of year	280,176	9,608	289,784	2,394,667	82,119	2,476,786
Increase due to inclusion in consolidation	6	—	6	51	—	51
Cash and cash equivalents at end of year.....	¥392,505	¥ 11,707	¥ 404,212	\$3,354,744	\$ 100,059	\$3,454,803

Fiscal year 2004 (For the year ended Mar. 31, 2005)

	<i>Millions of yen</i>		
	Automobile and Eliminations	Sales Financing	Consolidated total
Operating activities			
Income before income taxes and minority interests.....	¥720,764	¥ 72,469	¥793,233
Depreciation and amortization.....	349,163	176,763	525,926
(Increase) decrease in sales finance receivables.....	17,131	(811,480)	(794,349)
Other.....	(207,813)	52,418	(155,395)
Net cash provided by (used in) operating activities.....	879,245	(509,830)	369,415
Investing activities			
Proceeds from sales of investment securities including shares of subsidiaries.....	10,285	510	10,795
Proceeds from sales of property, plant and equipment.....	71,256	—	71,256
Purchases of fixed assets.....	(453,357)	(7,789)	(461,146)
Purchases of leased vehicles.....	(15,926)	(574,679)	(590,605)
Proceeds from sales of leased vehicles.....	16,143	157,669	173,812
Other.....	(79,115)	9,968	(69,147)
Net cash used in investing activities.....	(450,714)	(414,321)	(865,035)
Financing activities			
Increase in short-term borrowings.....	174,500	491,691	666,191
(Decrease) increase in long-term borrowings and redemption of bonds and debentures.....	(391,244)	296,551	(94,693)
Increase in bonds and debentures.....	—	140,663	140,663
Other.....	(191,998)	883	(191,115)
Net cash provided by (used in) financing activities.....	(408,742)	929,788	521,046
Effect of exchange rate changes on cash and cash equivalents.....	4,427	(58)	4,369
Increase in cash and cash equivalents.....	24,216	5,579	29,795
Cash and cash equivalents at beginning of year.....	190,135	4,029	194,164
Increase due to inclusion in consolidation.....	65,825	—	65,825
Cash and cash equivalents at end of year.....	¥280,176	¥ 9,608	¥289,784

Fiscal year 2003 (For the year ended Mar. 31, 2004)

Millions of yen

	Automobile and Eliminations	Sales Financing	Consolidated total
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Operating activities

Income before income taxes and minority interests.....	¥ 671,513	¥ 64,984	¥736,497
Depreciation and amortization.....	313,146	147,891	461,037
Increase in finance receivables.....	(154)	(462,956)	(463,110)
Other.....	57,936	5,057	62,993
Net cash provided by (used in) operating activities.....	1,042,441	(245,024)	797,417

Investing activities

Proceeds from sales of investment securities including shares of subsidiaries.....	40,488	34	40,522
Proceeds from sales of property, plant and equipment.....	53,827	105	53,932
Purchases of fixed assets.....	(422,326)	(6,061)	(428,387)
Purchases of leased vehicles.....	(19,295)	(457,318)	(476,613)
Proceeds from sales of leased vehicles.....	20,857	170,248	191,105
Other.....	(101,534)	(35,151)	(136,685)
Net cash used in investing activities.....	(427,983)	(328,143)	(756,126)

Financing activities

(Decrease) increase in short-term borrowings.....	(306,969)	169,394	(137,575)
Increase (decrease) in long-term borrowings and redemption of bonds and debentures.....	(244,774)	371,473	126,699
Increase in bonds and debentures.....	120,000	30,000	150,000
Other.....	(253,031)	167	(252,864)
Net cash (used in) provided by financing activities.....	(684,774)	571,034	(113,740)

Effect of exchange rate changes on cash and cash equivalents.....	(2,095)	(509)	(2,604)
Decrease in cash and cash equivalents.....	(72,411)	(2,642)	(75,053)
Cash and cash equivalents at beginning of the year.....	263,146	6,671	269,817
Increase due to inclusion in consolidation.....	310	—	310
Decrease due to exclusion from consolidation.....	(910)	—	(910)
Cash and cash equivalents at end of the year.....	¥ 190,135	¥ 4,029	¥194,164

Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2006, 2005 and 2004 is summarized as follows:

	Fiscal year 2005 (For the year ended Mar. 31, 2006)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	<i>Millions of yen</i>						
Sales to third parties	¥2,674,549	¥4,100,662	¥1,414,674	¥1,238,407	¥ 9,428,292	¥ —	¥ 9,428,292
Inter-area sales and transfers	2,194,405	138,585	82,632	13,928	2,429,550	(2,429,550)	—
Total sales	4,868,954	4,239,247	1,497,306	1,252,335	11,857,842	(2,429,550)	9,428,292
Operating expenses	4,478,536	3,852,304	1,430,127	1,194,714	10,955,681	(2,399,230)	8,556,451
Operating income	¥ 390,418	¥ 386,943	¥ 67,179	¥ 57,621	¥ 902,161	¥ (30,320)	¥ 871,841
Total assets	¥5,961,342	¥5,751,652	¥ 746,016	¥ 798,533	¥13,257,543	¥(1,776,117)	¥11,481,426

	Thousands of U.S. dollars						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
Sales to third parties	\$22,859,393	\$35,048,393	\$12,091,231	\$10,584,675	\$ 80,583,692	\$ —	\$80,583,692
Inter-area sales and transfers	18,755,598	1,184,487	706,256	119,044	20,765,385	(20,765,385)	—
Total sales	41,614,991	36,232,880	12,797,487	10,703,719	101,349,077	(20,765,385)	80,583,692
Operating expenses	38,278,085	32,925,675	12,223,308	10,211,231	93,638,299	(20,506,239)	73,132,060
Operating income	\$ 3,336,906	\$ 3,307,205	\$ 574,179	\$ 492,488	\$ 7,710,778	\$ (259,146)	\$ 7,451,632
Total assets	\$50,951,641	\$49,159,419	\$ 6,376,205	\$ 6,825,068	\$113,312,333	\$(15,180,487)	\$98,131,846

	Fiscal year 2004 (For the year ended Mar. 31, 2005)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	<i>Millions of yen</i>						
Sales to third parties	¥2,556,683	¥3,726,456	¥1,254,007	¥1,039,131	¥ 8,576,277	¥ —	¥8,576,277
Inter-area sales and transfers	1,981,104	81,794	51,109	7,622	2,121,629	¥(2,121,629)	—
Total sales	4,537,787	3,808,250	1,305,116	1,046,753	10,697,906	(2,121,629)	8,576,277
Operating expenses	4,196,667	3,392,676	1,249,110	996,529	9,834,982	(2,119,865)	7,715,117
Operating income	¥ 341,120	¥ 415,574	¥ 56,006	¥ 50,224	¥ 862,924	¥ (1,764)	¥ 861,160
Total assets	¥5,590,397	¥4,714,272	¥ 799,778	¥ 637,065	¥11,741,512	¥(1,892,989)	¥9,848,523

	Fiscal year 2003 (For the year ended Mar. 31, 2004)						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	<i>Millions of yen</i>						
Sales to third parties	¥2,559,806	¥3,278,966	¥1,164,032	¥426,415	¥7,429,219	¥ —	¥7,429,219
Inter-area sales and transfers	1,725,491	35,384	31,690	4,663	1,797,228	(1,797,228)	—
Total sales	4,285,297	3,314,350	1,195,722	431,078	9,226,447	(1,797,228)	7,429,219
Operating expenses	3,932,835	2,914,529	1,146,549	412,938	8,406,851	(1,802,487)	6,604,364
Operating income	¥ 352,462	¥ 399,821	¥ 49,173	¥ 18,140	¥ 819,596	¥ 5,259	¥ 824,855
Total assets	¥4,805,718	¥3,664,382	¥ 607,926	¥219,109	¥9,297,135	¥(1,437,279)	¥7,859,856

a) As described in Note 2 (b), effective April 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, implemented early adoption of a new accounting standard for retirement benefits in the United Kingdom. The effect of this change was to decrease operating income in the "Europe" segment by ¥1,686 million for the year ended March 31, 2004 from the corresponding amount which would have been recorded if the previous method had been followed.

b) As described in Note 2 (c), effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for noncancelable lease transactions which transfer substantially all risks and rewards associated with the ownership of the assets to the lessee from accounting for them as operating leases, to finance leases. The effect of this change was to decrease sales and operating expenses in the "Japan" segment by ¥17,943 million and ¥39,534 million, respectively, and to increase operating income and total assets in the "Japan" segment by ¥21,591 million and ¥137,184 million, respectively, for the year ended March 31, 2004 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.

c) As described in Note 2 (f), effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. The effect of this change was to decrease total assets in the "Japan" segment by ¥26,827 million at March 31, 2006 from with the corresponding amounts which would have been recorded if the previous method had been followed.

Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

	Fiscal year 2005 (For the year ended Mar. 31, 2006)			
	North America	Europe	Other foreign countries	Total
	<i>Millions of yen</i>			
Overseas sales.....	¥4,014,475	¥1,414,929	¥1,655,630	¥7,085,034
Consolidated net sales.....				9,428,292

	Thousands of U.S. dollars			
	North America	Europe	Other foreign countries	Total
Overseas sales.....	\$34,311,752	\$12,093,410	\$14,150,684	\$60,555,846
Consolidated net sales.....				80,583,692
Overseas sales as a percentage of consolidated net sales	42.6%	15.0%	17.6%	75.2%

	Fiscal year 2004 (For the year ended Mar. 31, 2005)			
	North America	Europe	Other foreign countries	Total
	<i>Millions of yen</i>			
Overseas sales.....	¥3,662,436	¥1,269,204	¥1,401,592	¥6,333,232
Consolidated net sales.....				8,576,277
Overseas sales as a percentage of consolidated net sales	42.7%	14.8%	16.3%	73.8%

	Fiscal year 2003 (For the year ended Mar. 31, 2004)			
	North America	Europe	Other foreign countries	Total
	<i>Millions of yen</i>			
Overseas sales.....	¥3,222,497	¥1,201,035	¥773,248	¥5,196,780
Consolidated net sales.....				7,429,219
Overseas sales as a percentage of consolidated net sales	43.4%	16.2%	10.4%	70.0%

22. SUBSEQUENT EVENTS

- a) In accordance with Articles 280-20 and 280-21 of the Commercial Code of Japan and a resolution approved at the annual general meeting of the shareholders held on June 21, 2005, the Board of Directors of the Company resolved on April 25, 2006 to grant stock subscription rights free of charge to certain key employees of the Company and certain directors of the Company's subsidiaries effective May 8, 2006. The holders of these rights are entitled to subscribe for shares of common stock of the Company at a fixed price of ¥1,526 per share. The maximum aggregate number of units and shares granted for subscription were 132,200 units and 13,220,000 shares, respectively.
- b) The following appropriations of retained earnings which have not been reflected in the accompanying consolidated financial statements as of and for the year ended March 31, 2006, were approved at a shareholders' meeting held on June 27, 2006:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends		
(¥15.00 = U.S.\$0.128 per share).....	¥65,979	\$563,923
Bonuses to directors	390	3,333

REPORT OF INDEPENDENT AUDITORS



■ Certified Public Accountants

Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel : 03 3503 1100

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The Board of Directors
Nissan Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Motor Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 2(a), (b) and (c), effective April 1, 2003, the Company and certain consolidated subsidiaries changed their methods of accounting for inventories, retirement benefits and noncancelable lease transactions.
2. As described in Note 2(d), effective April 1, 2004, the Company and certain consolidated subsidiaries changed their method of accounting for freight and shipping costs.
3. As described in Note 2(e) and (f), effective April 1, 2005, the Company and certain domestic consolidate subsidiaries changed their method of accounting for forward foreign exchange contracts and adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 27, 2006

NON-CONSOLIDATED FIVE-YEAR SUMMARY

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2005, 2004, 2003, 2002 and 2001

	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars (Note 1) (except per share amounts)
	2005	2004	2003	2002	2001	2005
	For the years ended Mar. 31, 2006	Mar. 31, 2005	Mar. 31, 2004	Mar. 31, 2003	Mar. 31, 2002	Mar. 31, 2006
Net sales	¥3,895,553	¥3,718,720	¥3,480,290	¥3,419,068	¥3,019,860	\$33,295
Operating income	254,159	231,764	245,836	316,059	242,279	2,172
Net income	240,593	102,415	80,713	72,869	183,449	2,056
Net income per share (Note 2)	54.88	23.24	18.15	16.09	45.61	0.47
Cash dividends paid (Note 3-4)	29.00	24.00	19.00	14.00	8.00	0.25
Shareholders' equity	¥1,827,030	¥1,685,893	¥1,709,705	¥1,798,716	¥1,829,052	\$15,616
Total assets	3,845,041	3,981,914	4,055,579	3,933,993	3,915,031	32,864
Long-term debt	508,463	489,151	653,392	902,118	942,518	4,346
Depreciation and amortization	127,543	115,180	102,107	56,760	56,265	1,090
Number of employees	32,180	32,177	31,389	31,128	30,365	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥117=\$1, the approximate exchange rate on March 31, 2006.

2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.

Number of shares outstanding as of March 31, 2006: 4,520,715,112.

3. Cash dividends paid represent the amounts proposed by the board of Directors as applicable to the respective years, together with the interim cash dividends paid.

4. Cash dividends applicable to fiscal year 2005 is ¥29 per share.

INFORMATION ON SUBSIDIARIES AND AFFILIATES

Consolidated subsidiaries

As of Mar. 31, 2006

<i>Subsidiary</i>	<i>Location</i>	<i>Principal business</i>	<i>Capital (millions)</i>	<i>The company's share- holdings*(%)</i>
Japan				
Nissan Shatai Co., Ltd.	Hiratsuka, Kanagawa	Manufacture and sales of automobiles and parts	¥7,904	43.31
Aichi Machine Industry Co., Ltd.	Nagoya, Aichi	Manufacture and sales of automotive parts	¥8,518	41.69
JATCO Ltd.	Fuji, Shizuoka	Manufacture and sales of automotive parts	¥29,935	81.76
Nissan Kohki Co., Ltd.	Samukawa, Kanagawa	Manufacture and sales of automotive parts	¥2,020	97.73
Calsonic Kansei Corporation	Tokyo	Manufacture and sales of automotive parts	¥41,165	41.80
Nissan Motor Car Carrier Co., Ltd.	Tokyo	International automobile transport	¥640	60.00
Nissan Trading Co., Ltd.	Yokohama, Kanagawa	Import and export of automobiles, parts, etc.	¥320	100.00
Nissan Financial Services Co., Ltd.	Chiba, Chiba	Automobile financing and leasing	¥16,387	100.00
Autech Japan, Inc.	Chigasaki, Kanagawa	Development, manufacture and sales of limited-edition automobiles	¥480	100.00
Nissan Real Estate Development Corporation	Tokyo	Real estate sales, purchasing and leasing	¥1,000	100.00
Nissan Finance Co., Ltd.	Tokyo	Finance and accounting support	¥2,491	100.00
Aichi Nissan Motor Co., Ltd.	Nagoya, Aichi	Sales of automobiles and parts	¥100	100.00
Tokyo Nissan Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥100	100.00
Nissan Prince Tokyo Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥100	100.00
Nissan Chuo Parts Sales Co., Ltd.	Yokohama, Kanagawa	Sales of automobiles repair parts	¥545	80.61
US				
Nissan North America, Inc.	Gardena, California	Management of North American subsidiaries, manufacture and sales of automobiles and parts	\$1,791	100.00
Nissan Motor Acceptance Corporation	Torrance, California	Financing of wholesale and retail automobile sales in US	\$499	100.00
Nissan Technical Center North America, Inc.	Farmington Hills, Michigan	Research and development, testing	\$16	100.00
Nissan Motor Insurance Corporation	Honolulu, Hawaii	Casualty insurance	\$10	100.00
Nissan Forklift Co., North America	Marengo, Illinois	Manufacture and sales of forklifts and parts	\$34	100.00
Canada				
Nissan Canada, Inc.	Mississauga, Ontario	Sales of automobiles and parts	CAN\$68	100.00
Mexico				
Nissan Mexicana, S.A. de C.V.	Mexico D.F.	Manufacture and sales of automobiles and parts	P17,056	100.00

Europe

Nissan Europe S.A.S.	Trappes, France	Management of European manufacturing and sales	€1,626	100.00
Nissan International Finance (Netherlands) B.V.	Amsterdam, The Netherlands	Financing for group companies	€13	100.00
Nissan France S.A.	Trappes, France	Sales of automobiles and parts	€4	94.77
Nissan Motor (GB) Ltd.	Rickmansworth, UK	Sales of automobiles and parts	£136	100.00
Nissan Holding (UK) Ltd.	Sunderland, UK	Holding company for English subsidiaries	£870	100.00
Nissan Italia S.p.A.	Rome, Italy	Sales of automobiles and parts	€5	100.00
Nissan Motor Manufacturing (UK) Ltd.	Sunderland, UK	Manufacture and sales of automobiles and parts	£250	100.00
Nissan Technical Center Europe Ltd.	Cranfield, UK	Research and development, testing	£15	100.00
Nissan Forklift Europe B.V.	Amsterdam, The Netherlands	Sales of forklifts and parts	€6	100.00
Nissan Motor Iberica, S.A.	Barcelona, Spain	Manufacture and sales of automobiles and parts	€725	99.76
Nissan Motor Espana, S.A.	Barcelona, Spain	Sales of automobiles and parts	€12	100.00
Nissan Forklift Espana, S.A.	Noain, Spain	Manufacture and sales of forklifts and parts	€9	100.00

Australia

Nissan Motor Co. (Australia) Pty. Ltd.	Dandenong, Victoria	Sales of automobiles and parts	A\$290	100.00
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New Zealand

Nissan New Zealand Ltd.	Auckland	Management of New Zealand subsidiaries; automobile sales	NZ\$51	100.00
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South Africa

Nissan Motor Company South Africa (Pty) Ltd.	Rosslyn	Management of South African subsidiaries; automobile manufacturing and sales	R39	100.00
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Middle East

Nissan Middle East F.Z.E.	Dubai, UAE	Automobile sales	Dh2	100.00
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China

Nissan Motor (China) Ltd.	Hong Kong	Automobile sales	HK\$16	100.00
Dongfeng Motor Co., Ltd.	Hubei	Manufacture and sales of automobiles and parts	RMB16,700	50.00
Nissan China Investment Co., Ltd.	Beijing	Management of Chinese subsidiaries; automobile sales	RMB8,401	100.00

Taiwan

Yulon Nissan Motor Co., Ltd.	Miao Li Hsien	Manufacture and sales of automobiles and parts	TWD3,000	40.00
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Thailand

Siam Nissan Automobile Co., Ltd.	Samuthprakarn	Manufacture and sales of automobiles and parts	THB1,930	75.00
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Other consolidated subsidiaries: 144 companies

Total consolidated subsidiaries: 187 companies

Affiliates accounted for by the equity method

As of Mar. 31, 2006

<i>Affiliate</i>	<i>Location</i>	<i>Principal business</i>	<i>Capital (millions)</i>	<i>The company's share- holdings*(%)</i>
Japan				
Kinugawa Rubber Industrial Co., Ltd.	Chiba, Chiba	Manufacture and sales of automotive parts	¥5,654	20.43
France				
Renault	Billancourt	Manufacture and sales of automobiles and parts	€1,086	15.52
Other affiliates accounted for by the equity method:		16 companies		
Total affiliates accounted for by the equity method:		18 companies		

* Percentage of voting rights held by Nissan Motor Co., Ltd.

CORPORATE OFFICERS

Chief Executive Officer

Carlos Ghosn

American Operations (MC-America and MC-US)
Global Communications, CSR and IR
Global Internal Audit

Chief Operating Officer

Toshiyuki Shiga

Japan Operations (MC-J)
GOM Operations (MC-GOM)
China Operations
Global Marketing and Sales
Global Aftersales and Conversion Business
TCSX (Total Customer Satisfaction Function)
Human Resources
Treasury

Executive Vice President

Itaru Koeda

MC-Dealer
Domestic Network Management
Administration for AFLs (MC-AFL)
External and Government Affairs
Intellectual Asset Management
Industrial Machinery
Marine

Executive Vice President

Tadao Takahashi

Manufacturing
SCM (Supply Chain Management)
Global IS

Executive Vice President

Hiroto Saikawa

European Operations (MC-E)
Purchasing

Executive Vice President

Mitsuhiko Yamashita

Research and Development

Executive Vice President

Carlos Tavares

Corporate Planning
Program
Market Intelligence
Product Planning
Design
Brand Management
LCV Business

Vice Chairman

Takeshi Isayama

Senior Vice Presidents

Eiji Imai

Bernard Rey

Shiro Nakamura

Kazuhiko Toida

Hidetoshi Imazu

Alain-Pierre Raynaud

Kimiyasu Nakamura

Steven Wilhite

Junichi Endo

Hitoshi Kawaguchi

Minoru Shinohara

Yo Usuba

Shigeo Shingyoji

Yoshiaki Watanabe

Corporate Vice Presidents

Asako Hoshino

Akira Kaetsu

Akira Sato

Toshio Aoki

Yasuaki Hashimoto

Shoichi Miyatani

Hiroshi Moriya

Keiichi Murata

Shuichi Otani

Yusuke Sekiguchi

Simon Sproule

Celso Guiotoko

Shigeaki Kato

Haruyoshi Kumura

Shigeru Murata

Akihiro Otomo

Andrew Palmer

Emmanuel Delay

Akihiro Ishiwatari

Thomas Lane

Gilles Normand

Toshiharu Sakai

Atsushi Shizuta

Joji Tagawa

Thierry Viadieu

Yasuhiro Yamauchi

(As of June 27, 2006)

**FOR FURTHER INFORMATION,
PLEASE CONTACT**

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Corporate Information Website

<http://www.nissan-global.com/>

Investor Relations Website

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



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