

# Financial Activities

In November 2005, Nissan Diesel announced a new medium-term business plan for fiscal 2006-08 called "Plan for Vision (PFV)" and began implementing the activities specified in the plan in April 2006 with the aim of securing profitable growth. Nissan Diesel's financial strategy for the future will be to continue strengthening the Company's financial foundations while promoting qualitative improvements in its capital structure. At the same time, the Company plans to avoid interest rate hike risks and control financing costs while raising the capital necessary to fund its growth strategy in a timely manner.

In March 2006, Nissan Diesel announced a change in its major shareholders. This move formed a capital alliance advantageous to the launch of the PFV, and the Company is projecting further growth in the future as a result of this change.



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Senior Managing Director

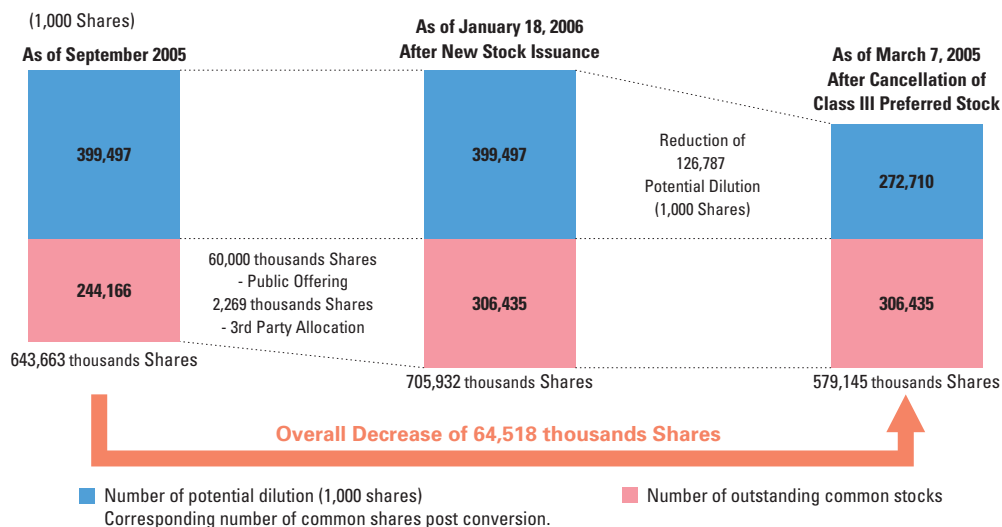
## Capital Reduction and Cancellation of Class III and Class IV Preferred Stock

In regards to Class I to Class IV preferred stock (worth a total of ¥106 billion) issued in December 2003, Nissan Diesel decided to acquire and cancel all Class IV preferred stock (excluding the shares held by Nissan Motor) by converting it to treasury stock in August 2005. Subsequently, the Company also canceled all outstanding Class III preferred stock in March 2006 by means of compulsory cancellation.

Through the cancellation of such stock, the number of potential dilution shares (representing the increase

in the amount of common stock that would occur if such preferred stock were converted at the initial conversion price) decreased by 234,436 thousands shares (equivalent to approximately 96% of all outstanding common stock as of the end of March 2005) from 507,146 thousands shares. Accordingly, this cancellation of preferred stock is regarded as having a substantial effect on reducing the dilution of common stock.

## Restraining the Dilution of Common Stock



### Increasing Capital Stock via Issuance of Shares at Market Price

In order to supplement the cancellation of Class III preferred stock and the associated reduction in capital that was carried out in March 2006, Nissan Diesel moved to increase its capital stock by issuing shares at market price. This step was taken from the perspective that the Company would be able to raise the capital necessary to cancel the preferred stock under favorable terms and conditions.

Increasing capital stock via share issuance at market

price is believed to be the most effective method to clearly show shareholders the significance and effect of canceling the preferred stock as quickly as possible. As a result of that move, the Company was able to raise ¥48.9 billion, while the amount of common stock increased by 62,269 thousands shares to 306,435 thousands. It is noteworthy that the amount exceeding the ¥31.7 billion required to cancel the preferred stock was applied to the repayment of debt.

### Issuance of Straight Corporate Bonds

In December 2004, Nissan Diesel issued its ninth series of unsecured corporate bonds. This marked the first time the Company issued unsecured straight corporate bonds. The tenth series of unsecured corporate bonds was then issued in November 2005

with the goal of raising long-term funds at a lower interest rate. These funds are earmarked for repayment of debts associated with directly managed domestic sales companies.

### Change in Major Shareholders

On March 22, 2006, the Company's largest shareholder, Nissan Motor, finalized an agreement to sell 40,000,000 Nissan Diesel shares (out of a total of 58,211,787 shares) to Volvo. Notice regarding the effective date of this change (March 27, 2006) was received by the Company.

As a result of this transaction, Volvo now owns 13% of Nissan Diesel's total outstanding shares and Nissan Motor's stake in the Company decreased to 6%. Under the terms and conditions of the agreement, Volvo has the option to purchase the remaining 6% held by Nissan

Motor within four years.

Nissan Diesel anticipates that this capital alliance with one of the world's leading manufacturers of commercial vehicles will lead to various synergies with the traditional Nissan Motor business. Furthermore, the Company believes that the new partnership will substantially benefit the implementation of the PFV medium-term business plan for fiscal 2006-08 and will help the Company attain its growth and earnings goals.

### Expansion of the Cash Management System

In April 2004, Nissan Diesel instituted a cash management system (CMS). During the fiscal year under review, the Company introduced a netting function that allows cashless settlement of internal group transactions and established a central paying agent to integrate Company payments to external parties. With these measures, the Company increased capital efficiency while significantly reducing transfer fees.

Moreover, all loans remaining at some directly managed domestic sales companies were repaid to the respective financial institutions in March 2006. Subsequently, all funds procurement and management activities of the Group have been consolidated at Nissan Diesel. The Company plans to strengthen these functions in the future in order to further increase its capital efficiency.