

# Message from the President



President

**Iwao Nakamura**

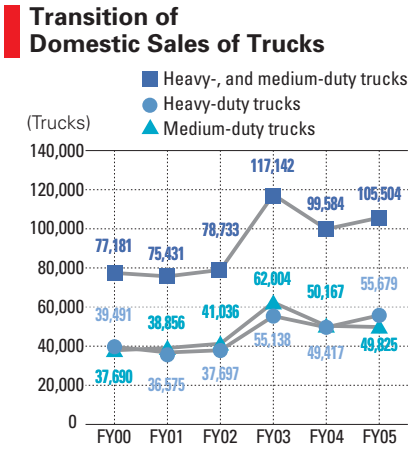
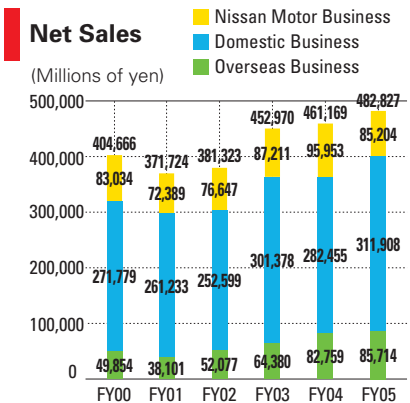
## Review of Fiscal 2005

The 2005 fiscal year was a record year for the Company highlighted by increases in domestic demand for trucks with payloads greater than 4 tons and a rise in demand in the markets of South Africa and Asia. Subsequently, net sales for the current fiscal year under review finished at ¥482.8 billion, an increase of 4.7% from the previous fiscal year.

Operating income also increased mainly as a result of a rise in net sales, the effects of introducing new products into the line-up, and various efforts to streamline operations. In fact, these positive effects to earnings were able to absorb negative factors such as worsening market conditions associated with a rise in prices for steel products, and the need to realize the unrealized gain of ¥3.1 billion associated with the sale of Ace Sogo Lease Co., Ltd. during the previous fiscal year. As a result, operating income finished up 0.2% from the previous fiscal year to finish at ¥33.5 billion.

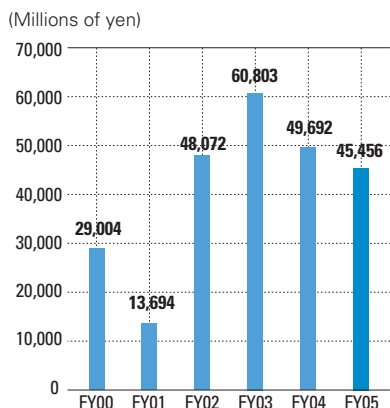
Furthermore, reduced interest expenses as a result of a decrease in the level of interest-bearing debt, and the fall in retirement benefit expenses as a result of a change in the Company's retirement benefit scheme caused ordinary income to increase by 9.1% from the previous fiscal year to finish at ¥33.2 billion.

The above operating income and ordinary income figures represent record figures for the Company.



## Message from the President

### Net Cash Provided by Operating Activities



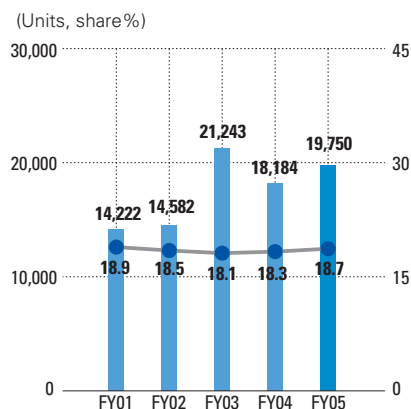
On another important issue of interest-bearing debt, the Company was able to exceed its full-year forecast of achieving a level of ¥140 billion and dropped liability levels down to ¥130 billion mainly as a result of improved operating cash flow. In fact, net interest-bearing debt after subtracting cash equivalents greatly exceeded the full-year forecast of ¥110 billion to drop down to ¥82.7 billion. This marked the first time the figures for net interest-bearing debt fell below ¥100 billion.

As indicated, the Company was able to achieve record figures for net sales, operating income and ordinary income. Additionally, operating income and ordinary income figures were at record levels for the third consecutive period. In the future, we will continue our efforts to improve financial performance with the goal to build a stronger financial base.

### Domestic Business

Since the debut of Nissan Diesel's "Quon" equipped with the urea SCR system "FLENDs", sales beginning in 2004, have steadily grown, reaching 7,851. The urea SCR system has received the "55th Society of Automotive Engineers of Japan Award – The Technological Development Award," the "2005 Nikkei Superior Products and Services Awards for Excellence," The Quon design concept has also received a high level of attention from winning the 2005 Good Design Award in October 2005.

### Nissan Diesel's Domestic Sales of Trucks (Payload Capacities of Four or More Metric Tones) and Market Share



2005 Nikkei Superior Product and Service Awards

Nissan Diesel also established a company that specializes in used-car sales in February 2006. The new company, named CROSSNET Co., Ltd., will act as the control center for the Group's overall used vehicle business and will aim to sell the most optimal vehicle to customers by providing up-to-date market information.

In order to respond to domestic business trend, currently struggling the with declining demand for trucks, Nissan Diesel is aiming to revolutionize the business by access in detail to the full life cycle of a truck from the time it comes off the production line to the point that the vehicle is shipped for disposal. At the same time, the Company is expanding its revenue streams and combining the hardware of Quon with the software of UD-TRUST.\*

\* UD-TRUST is a new financial lease product developed jointly with Nissan Diesel and Ace Sogo Lease, a GE group sales finance company. In order to gain customer trust, UD-TRUST offers traditional lease benefits and year-round, round-the-clock support through the Nissan Diesel Group's nationwide maintenance system.



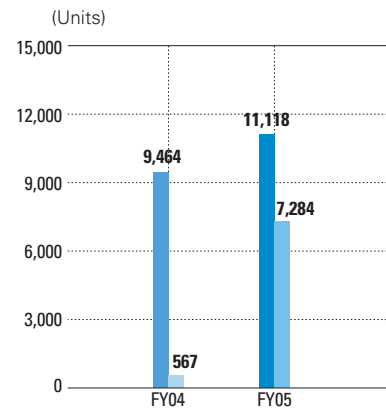
The Quon Heavy-Duty truck



The Quon Tractor

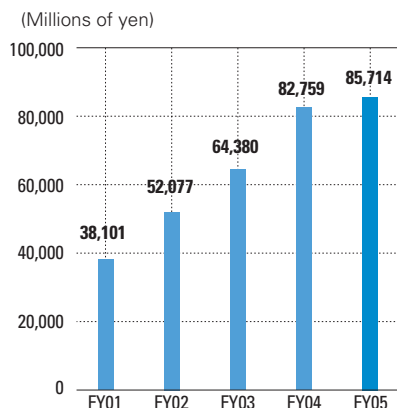
### Sales Performance and Plan of "Quon"

- Sales of heavy-duty truck (Payload capacities of 8 or more metric tons)
- Sales of Quon

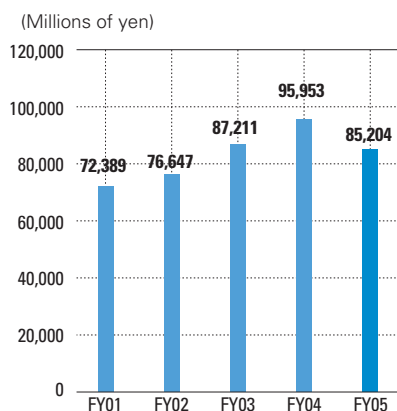


## Message from the President

### Overseas Net Sales



### Nissan Motor Business Net Sales



### Overseas Business

On the overseas side of the business, the Company has continued to see an increase in exports amid a background of strong growth in the global economy. Specifically, sales of Nissan Diesel South Africa (Pty) Ltd. and exports to Asia have shown steady growth.

In China, Nissan Diesel recorded a 10.3% increase in the number of units export volume as compared to Fiscal 2004. The Company will introduce new products to the Chinese market and make a full-scale play into the premium heavy-duty truck segment. Also, the Company upped its stake in Dongfeng Nissan Diesel Motor Co., Ltd. to the maximum allowable 50% in September 2005. Furthermore, the establishment of an axle manufacturing company is planned with the goal to be able to provide a stable supply of high quality products to customers as appropriate.

Even outside of China, Nissan Diesel is planning to develop new markets with the goal being to increase sales and earnings in such areas.

### Nissan Motor Business

Nissan Motor business for the fiscal year under review (Fiscal 05) totaled ¥85.2 billion, or approximately 17.6% of the Nissan Diesel Group's overall sales.

In addition, mass production of engines installed in the light-duty trucks developed by Nissan Motor Light Truck Co., Ltd., a joint venture with Nissan Motor began. Next year, new light duty trucks for the domestic market will be launched with the goal to further stabilize the revenue and earnings streams of this company in the future.

### Research and Development

Nissan Diesel has succeeded in developing a truck that is fuel efficient and emits low amounts of CO<sub>2</sub>, thereby complying with Japan's new long-term diesel emissions regulation, which are among the world's most stringent standards, one year before they come into force. The R&D team at Nissan Diesel is moving ahead with the development of new technologies that will enable Nissan Diesel trucks to meet even tighter future standards after the new long-term diesel emissions regulation.

In addition to core diesel engines, Nissan Diesel is also working on developing engines that use alternative power sources such as compressed natural gas (CNG), capacitors and dimethyl ether (DME).

## Financial Strategy

At Nissan Diesel, we are engaging in activities to reduce interest-bearing debt and increase operating margin through the complete management of cash flow in order to achieve a sustainable growth. As of the end of the fiscal year under review, interest-bearing debt fell to ¥130 billion (net interest-bearing debt of ¥82.7 billion) from the ¥400 billion level of 2002.

On another note, the retained earnings was utilized to cancel a portion of Class IV preferred stock in August 2005. Also, a public stock offering was carried out in December 2005 with the goal to cancel Class III preferred stock. Specifically, the proceeds from the public stock offering was used to eliminate the entire Class III preferred stock in March 2006 via a compulsory cancellation of stock. These moves were successful in reducing the preferred dividend burden while reducing the amount of shareholder value dilution through the conversion to common stock. It also prevented the decrease of shareholder equity. As of the end of March 2006, the total number of preferred stock outstanding decreased to ¥57 billion from the level of ¥106 billion at the end of fiscal year 2004.

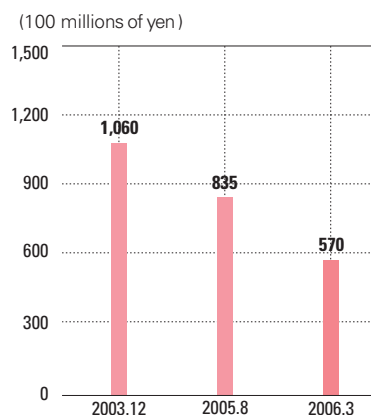
## Corporate Social Responsibility

Nissan Diesel believes that it can meet its corporate social responsibilities by complying with all rules and regulations and through both communication and the disclosing of information. The Company is making effort to be a good corporate citizen so that all stakeholders are able to feel pride in having a stake in the Company.

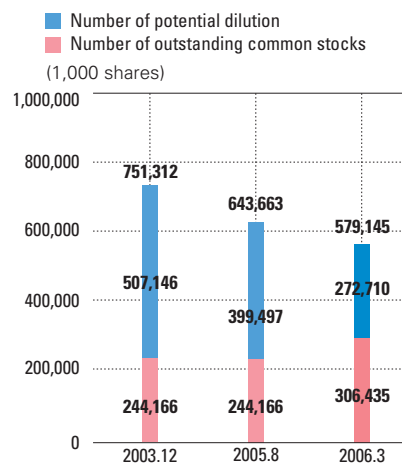
From a product standpoint, the Company has engaged in the development of low-pollution vehicles in recent years in order to prevent environmental problems such as global warming and air pollution and contribute towards environmental protection and resource conservation. In addition, both the disclosure of information to, and communication with the public regarding the environmental activities at the factory-level have occurred in a transparent manner.

Nissan Diesel actively engages in environmental protection efforts on our irreplaceable planet in order to develop in harmony with the environment in a sustainable manner. With this in mind, the Company hopes to contribute towards the development of a sustainable society through community-based production efforts that provide people with safe, comfortable, and environmentally sound vehicles.

### Changes in Total Value of Outstanding Preferred Stock



### Changes in Total Amount of Outstanding Common Stock and Potential Dilution



## Message from the President

### Plan for Vision

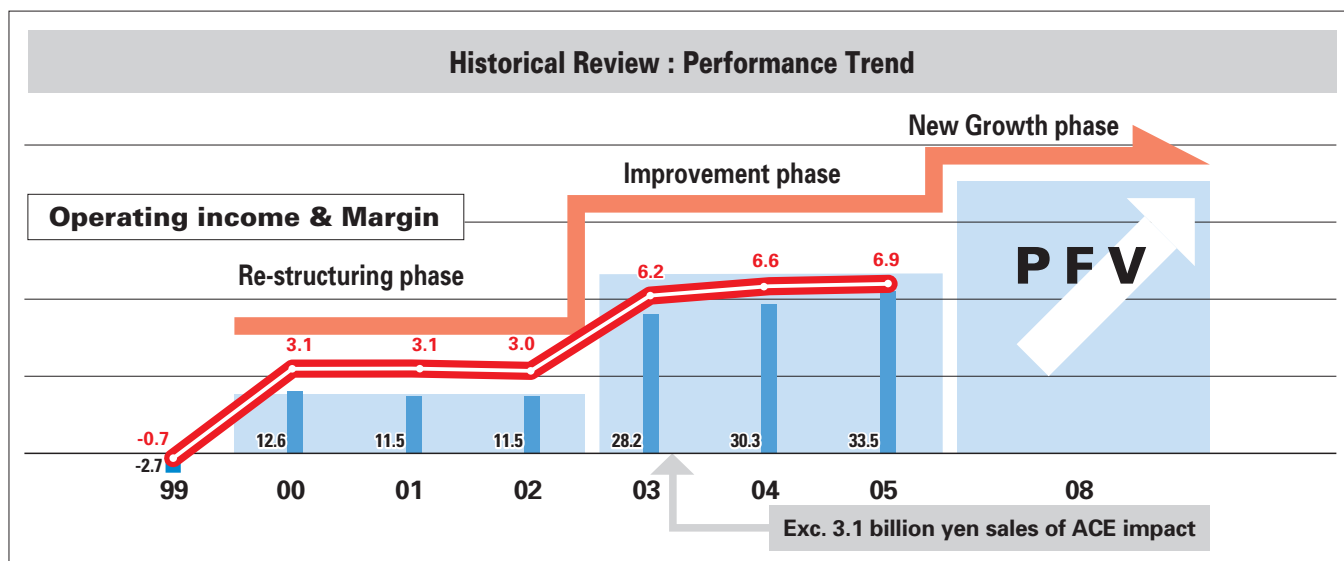
#### Operational Indicators (FY 2008)

Net Sales	¥ 600,000 million
Operating Margin	8 %
ROIC	15 %

As part of the corporate management vision to realize new growth strategy, the Nissan Diesel Group formulated a new medium-term business plan for fiscal 2006-08, the "Plan for Vision (PFV)." The PFV, which was announced in November 2005, aims to take another step forward from the improvement phase towards the direction of a growth phase through aggressive management. By increasing earnings from all three areas of domestic, overseas and Nissan businesses, the Company aims to achieve the goals of ¥600 billion in net sales, operating margin of 8%, and ROIC (return on invested capital) of 15% by the end of the 2008 fiscal year.

#### The main points of the PFV are as follows:

- Offset the decline in domestic market demand for trucks with payloads greater than 4 tons by expanding market share of heavy-duty trucks.
- Carry out a life-cycle access of all trucks and buses (from a new vehicle coming off the production, through vehicle maintenance, and finally as a used vehicle) and aim to increase overall sales.
- Expand overseas sales by adding to the product line, and develop new markets after South Africa and North America through the implementation of new projects.
- In China, make a full-scale play into the high grade heavy-duty truck segment by strengthening the business foundation of Dongfeng Nissan Diesel Motor Co., Ltd., establishing our own sales network as early as possible, and introducing heavy-duty trucks to the market.
- Actively engage in other efforts to develop new business.
- Vigorously pursue cost reductions and productivity improvements in order to cover increases in development costs and depreciation



## Relationship with Volvo

In March 2006, Volvo, one of the world's largest manufacturers of commercial vehicles, became the largest shareholder of Nissan Diesel through the assignment of 13% worth of shares by Nissan Motor. Since Volvo is a company that has a fully developed truck business throughout the world, a significant synergy effect is anticipated as a result of this move. The alliance with Volvo can also be seen a tailwind that will push Nissan Diesel towards achieving the goals set forth in the PFV.

Potential synergies will be discussed on the basic rule of achieving a win-win scenario for both companies. Discussions will not be limited to any specific business area. Rather the focus will be on finding the best opportunities in every operational area.

### The following summarizes discussions regarding potential synergies:

<b>Products</b>
Both companies plan to execute co-works to develop suitable and competitive product in global markets, and at the same time try to maximize product commonization including complementation of power-train components and parts.
<b>R&amp;D</b>
Making up collaboration scheme mainly in the area of efficient fuel consumption, safety and IT.
<b>Manufacturing</b>
Ensuring manufacturing competitiveness globally through the evaluation of each performance.
<b>Distribution</b>
Making up sales collaboration scheme globally by enhancing both strengths in the markets.
<b>Purchasing</b>
Trying to receive the full benefit from volume effect.



Press Conference in March 21, 2006

Nissan Motor President and CEO  
Carlos Ghosn

Nissan Diesel President  
Iwao Nakamura

Volvo President and CEO  
Leif Johansson