

Financial Section

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Financial Summary

Fiscal year
Net sales
Cost of sales
Selling, general and administrative expenses
Operating income (loss)
Income (loss) before income taxes
Net income (loss)
Capital investment
Depreciation and amortization
Research and development expenses
Total assets
Shareholders' equity
Interest-bearing debt
Per-share data
Net income per share (¥/U.S.dollars)
Shareholders' equity per share (¥/U.S.dollars)
Dividends (¥/U.S.dollars)
Net sales by market
Domestic business
Nissan Motor business
Overseas business
Total



	Millions of yen						Thousands of dollars (The rate of ¥117=US\$1.00)
	FY00	FY01	FY02	FY03	FY04	FY05	FY05
.....	404,666	371,724	381,323	452,970	461,169	482,827	4,126,726
.....	321,349	292,879	300,023	348,245	355,833	378,949	3,238,880
.....	70,672	67,313	69,841	76,477	71,956	70,423	601,906
.....	12,644	11,531	11,457	28,247	33,378	33,454	285,932
.....	3,612	2,138	(376)	(44,655)	34,523	34,066	291,162
.....	604	610	(3,347)	(40,273)	30,020	29,089	248,624
.....	4,752	5,570	5,323	9,110	16,673	9,310	79,573
.....	18,853	18,193	17,181	16,556	8,944	10,534	90,034
.....	12,520	12,681	13,621	15,394	16,166	16,569	141,615
.....	587,195	556,646	522,491	514,120	431,139	432,838	3,699,470
.....	5,992	6,487	3,482	72,984	103,434	121,876	1,041,675
.....	437,758	416,929	387,469	262,585	155,168	129,968	1,110,838
.....	2.34	2.36	(12.94)	(159.61)	117.00	108.73	0.93
.....	23.16	25.07	13.46	(136.95)	(18.20)	209.58	1.79
.....	-	-	-	-	3.00	3.00	0.026
.....	271,779	261,233	252,599	301,378	282,455	311,908	2,665,880
.....	83,034	72,389	76,647	87,211	95,953	85,204	728,239
.....	49,854	38,101	52,077	64,380	82,759	85,714	732,598
.....	404,666	371,724	381,323	452,970	461,169	482,827	4,126,726

Consolidated Balance Sheets

Nissan Diesel Motor Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2006 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
As of			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 47,258	¥ 37,573	\$ 403,915
Short-term investments (Note 15)	43	80	368
Notes and accounts receivable (Note 7):			
Trade	88,248	105,827	754,256
Allowance for doubtful receivables	(5,961)	(5,869)	(50,949)
	82,287	99,957	703,308
Inventories (Note 5)	45,306	34,476	387,231
Deferred tax assets (Note 9)	6,772	5,135	57,880
Other current assets	10,096	9,624	86,291
Total current assets	191,764	186,848	1,639,009
PROPERTY, PLANT AND EQUIPMENT (Notes 6, 7 and 13):			
Land	146,783	152,728	1,254,556
Buildings and structures	89,297	88,114	763,222
Machinery and equipment	165,238	162,347	1,412,291
Construction in progress	944	373	8,068
	402,263	403,564	3,438,145
Accumulated depreciation	(199,557)	(193,914)	(1,705,615)
Property, plant and equipment, net	202,706	209,649	1,732,530
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 15)	17,603	14,860	150,453
Investments in unconsolidated subsidiaries and affiliates	3,869	1,828	33,068
Long-term loans receivable	132	297	1,128
Deferred tax assets (Note 9)	9,065	5,804	77,479
Other	7,696	11,850	65,778
Total investments and other assets	38,367	34,641	327,923
	¥ 432,838	¥ 431,139	\$ 3,699,470

LIABILITIES AND SHAREHOLDERS' EQUITY

As of	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 9,019	¥ 47,590	\$ 77,085
Commercial paper	20,000	7,000	170,940
Current portion of long-term debt (Note 7)	38,554	18,857	329,521
Notes and accounts payable – trade	101,231	93,538	865,222
Accrued income taxes (Note 9)	7,664	6,195	65,504
Accrual for warranty costs	2,616	3,156	22,359
Other current liabilities	29,089	26,736	248,624
Total current liabilities	208,176	203,076	1,779,282
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	62,395	81,720	533,291
Accrual for warranty costs	1,722	2,205	14,718
Accrued retirement benefits for employees (Note 10)	7,739	7,595	66,145
Deferred tax liabilities (Note 9)	1,423	1,268	12,162
Deferred tax liabilities on land revaluation account (Note 6)	7,255	4,704	62,009
Payable relating to defined contribution plans	19,382	25,081	165,658
Other	429	423	3,667
Total long-term liabilities	100,348	122,997	857,675
MINORITY INTERESTS	2,437	1,631	20,829
SHAREHOLDERS' EQUITY (Notes 6, 8 and 20):			
Preferred stock, without par value:			
Authorized — 94,994,000 shares in 2005 and 176,656,000 shares in 2004			
Issued — 94,994,000 shares in 2005 and 176,656,000 shares in 2004	28,498	52,996	243,573
Common stock, without par value:			
Authorized — 1,423,344,000 shares in 2005 and 2004			
Issued — 306,435,106 shares in 2005 and 244,166,106 shares in 2004	10,098	12,838	86,308
Capital surplus	30,915	6,459	264,231
Land revaluation account	2,926	6,910	25,009
Retained earnings	43,257	20,680	369,718
Net unrealized holding gain on securities	5,349	3,156	45,718
Translation adjustments	853	405	7,291
	121,900	103,448	1,041,880
Less common stock in treasury, at cost	(23)	(14)	(197)
Shareholders' equity, net	121,876	103,434	1,041,675
Contingent liabilities (Note 14)			
	¥ 432,838	¥ 431,139	\$ 3,699,470

See notes to consolidated financial statements

Consolidated Statements of Operations

Nissan Diesel Motor Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2006, 2005 and 2004

For the years ended	Millions of yen			Thousands of U.S. dollars (Note 4)
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
NET SALES (Note 18)	¥ 482,827	¥ 461,169	¥ 452,970	\$ 4,126,726
COST OF SALES (Notes 11 and 18)	378,949	355,833	348,245	3,238,880
Gross profit	103,877	105,335	104,724	887,838
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	70,423	71,956	76,477	601,906
Operating income	33,454	33,378	28,247	285,932
OTHER INCOME (expenses):				
Interest and dividend income	1,316	1,635	2,284	11,248
Interest expense	(1,841)	(4,410)	(5,332)	(15,735)
Gain on sales of property, plant and equipment	859	49	12	7,342
Loss on disposal of property, plant and equipment	(1,061)	(485)	(2,864)	(9,068)
Loss on impairment of property, plant and equipment (Note 3)	(876)	—	(12,599)	(7,487)
Loss on disposal of inventories	—	—	(3,821)	—
Gain on transfer of development rights for small-sized truck (Note 18)	—	—	1,200	—
Gain on sales of investment securities	2,231	1,399	80	19,068
Loss on devaluation of investment securities	(3)	(14)	(871)	(26)
Provision for allowance for doubtful receivables	—	—	(12,748)	—
Provision for warranty costs (Note 3)	—	—	(3,443)	—
Loss on return of substitutional portion of Welfare Pension Fund Plans (Note 10)	—	—	(2,636)	—
Equity in earnings of unconsolidated subsidiaries and affiliates	24	164	131	205
Amortization of net retirement benefit obligation at transition	—	—	(2,232)	—
Loss on partial termination of tax-qualified pension plans and lump-sum payment plans (Note 10)	—	—	(28,743)	—
Gain on dissolution of the Welfare Pension Fund Plans	—	4,730	—	—
Cancellation fee for real estate lease contract	—	(1,684)	—	—
Other, net	(36)	(239)	(1,318)	(308)
Income (loss) before income taxes and minority interests	34,066	34,523	(44,655)	291,162
INCOME TAXES (Note 9):				
Current	11,019	6,259	2,195	94,179
Deferred	(6,793)	(2,434)	(6,769)	(58,060)
	4,225	3,825	(4,573)	36,111
Minority interests	(751)	(678)	(191)	(6,419)
Net income (loss) (Note 12)	¥ 29,089	¥ 30,020	¥ (40,273)	\$ 248,624

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nissan Diesel Motor Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

For the years ended	Millions of yen			Thousands of U.S. dollars (Note 4)
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
PREFERRED STOCK:				
Balance at beginning of year	¥ 52,996	¥ 52,996	¥ –	\$ 452,957
Private placement (Note 8)	–	–	52,996	–
Cancellation of shares of preferred and common stock (Note 8).....	(24,498)	–	–	(209,385)
Balance at end of year	¥ 28,498	¥ 52,996	¥ 52,996	\$ 243,573
COMMON STOCK:				
Balance at beginning of year	¥ 12,838	¥ 12,838	¥ 13,603	\$ 109,726
Issuance of common stock (Note 8)	24,471	–	–	209,154
Cancellation of shares of preferred and common stock (Note 8)	(27,211)	–	(765)	(232,573)
Balance at end of year	¥ 10,098	¥ 12,838	¥ 12,838	\$ 86,308
CAPITAL SURPLUS:				
Balance at beginning of year	¥ 6,459	¥ 75,361	¥ 21,599	\$ 55,205
Private placement (Note 8)	–	–	52,996	–
Issuance of shares of common stock (Note 8)	24,456	–	–	209,026
Cancellation of shares of common stock (Note 8)	20,000	–	765	170,940
Elimination of accumulated deficit (Note 8)	–	(68,901)	–	–
Disposal of treasury stocks (Note 8)	(20,000)	–	–	(170,940)
Balance at end of year	¥ 30,915	¥ 6,459	¥ 75,361	\$ 264,231
LAND REVALUATION ACCOUNT:				
Balance at beginning of year	¥ 6,910	¥ 6,852	¥ 10,652	\$ 59,060
Net changes during the year	(3,984)	58	(3,799)	(34,051)
Balance at end of year	¥ 2,926	¥ 6,910	¥ 6,852	\$ 25,009
RETAINED EARNINGS (ACCUMULATED DEFICIT):				
Balance at beginning of year	¥ 20,680	¥ (78,183)	¥ (41,708)	\$ 176,752
Adjustments to retained earnings for reversal of land revaluation account ..	853	(58)	3,799	7,291
Elimination of accumulated deficit (Note 8)	–	68,901	–	–
Net income (loss)	29,089	30,020	(40,273)	248,624
Cash dividends	(2,616)	–	–	(22,359)
Loss on disposal of treasury stocks (Note 8)	(4,748)	–	–	(40,581)
Balance at end of year	¥ 43,257	¥ 20,680	¥ (78,183)	\$ 369,718
NET UNREALIZED HOLDING GAIN (LOSS) ON SECURITIES:				
Balance at beginning of year	¥ 3,156	¥ 3,046	¥ (682)	\$ 26,974
Net changes during the year	2,193	110	3,728	18,744
Balance at end of year	¥ 5,349	¥ 3,156	¥ 3,046	\$ 45,718
TRANSLATION ADJUSTMENTS:				
Balance at beginning of year	¥ 405	¥ 76	¥ 20	\$ 3,462
Adjustments arising from translation of foreign currency financial statements ..	447	329	56	3,821
Balance at end of year	¥ 853	¥ 405	¥ 76	\$ 7,291

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nissan Diesel Motor Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

For the years ended	Millions of yen			Thousands of U.S. dollars (Note 4)
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 34,066	¥ 34,523	¥ (44,655)	\$ 291,162
Depreciation and amortization	10,534	8,944	16,556	90,034
Loss on impairment of property, plant and equipment	876	–	12,599	7,487
Interest and dividend income	(1,316)	(1,635)	(2,285)	(11,248)
Interest expense	1,841	4,410	5,332	15,735
(Reversal of) provision for accrual for warranty costs	(1,024)	(100)	4,471	(8,752)
Provision for employees' retirement benefits, net of amounts paid	143	(31,288)	33,130	1,222
Equity in earnings of unconsolidated subsidiaries and affiliates	(24)	(164)	(131)	(205)
Loss on devaluation of investment securities	3	14	871	26
(Reversal of) provision for allowance for doubtful receivables	(2,811)	(3,154)	8,088	(24,026)
Loss on sales or disposal of property, plant and equipment	202	436	2,852	1,726
Gain on sales of investment securities	(2,231)	(1,399)	(80)	(19,068)
Changes in operating assets and liabilities:				
Notes and accounts receivable	20,699	17,308	18,750	176,915
Inventories	(10,181)	(1,545)	(1,457)	(87,017)
Notes and accounts payable	7,487	1,197	11,107	63,991
Payable relating to defined contribution plans	(5,698)	23,027	–	(48,701)
Other	3,258	3,929	1,894	27,846
Subtotal	55,824	54,502	67,044	477,128
Interest and dividend income received	1,000	868	990	8,547
Interest paid	(1,783)	(4,465)	(5,233)	(15,239)
Income taxes paid	(9,585)	(1,212)	(1,997)	(81,923)
Net cash provided by operating activities	45,456	49,692	60,803	388,513
INVESTING ACTIVITIES:				
Decrease in time deposits	36	850	391	308
Purchases of property, plant and equipment	(9,693)	(17,463)	(19,149)	(82,846)
Proceeds from sales of property, plant and equipment	5,734	5,329	3,306	49,009
Purchases of investment securities	(94)	(36)	(710)	(803)
Proceeds from sales of investment securities	3,276	2,780	311	28,000
Increase in loans receivable	(74)	(227)	(141)	(632)
Proceeds from sale of subsidiaries' stock resulting in the change in the scope of consolidation (Note 16)	–	2,311	–	–
Other	649	1,726	186	5,547
Net cash used in investing activities	(165)	(4,728)	(15,807)	(1,410)
FINANCING ACTIVITIES:				
Decrease in short-term borrowings	(38,570)	(123,683)	(51,340)	(329,658)
Increase in commercial paper	13,000	7,000	–	111,111
Proceeds from issuance of long-term debt	5,000	54,400	10,586	42,735
Repayment of long-term debt	(19,627)	(15,869)	(14,635)	(167,752)
Proceeds from issuance of bonds	15,000	15,000	–	128,205
Redemption of bonds	–	–	(5,000)	–
Proceeds from issuance of common stock	48,927	–	–	418,179
Proceeds from issuance of preferred stock	–	–	15,998	–
Acquisition of preferred stock	(56,458)	–	–	(482,547)
Purchases of treasury stock	(9)	(10)	(1)	(77)
Cash dividends	(2,617)	–	–	(22,368)
Net cash used in financing activities	(35,355)	(63,162)	(44,393)	(302,179)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
Net increase (decrease) in cash and cash equivalents	(250)	2	153	(2,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37,573	55,769	55,012	321,137
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 47,258	¥ 37,573	¥ 55,769	\$ 403,915

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Basis of Preparation

The Company and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and, therefore, 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.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

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

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. 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.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less.

The difference between the cost and the underlying equity in the net assets at fair value at the respective dates of acquisition is amortized over a period of five years on a straight-line basis.

(b) Cash equivalents

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

(c) 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 any 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.

(d) Inventories

Finished products are stated principally at cost determined by the specific identification method. Other inventories are stated principally at cost determined by the last purchase price method.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(f) Depreciation and amortization

Depreciation of property, plant and equipment at the Company and its domestic consolidated subsidiaries is calculated principally by the declining-balance method at rates based on the estimated useful lives of the respective assets. Depreciation at the overseas consolidated subsidiaries is calculated principally by the straight-line method over the estimated useful lives of the respective assets. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	4 to 10 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

Costs of computer software intended for internal use are capitalized and amortized over a period of five years.

(g) Stock and bond issuance costs

Stock and bond issuance costs are charged to income as incurred.

(h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates. All revenues and expenses denominated in foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average exchange rates prevailing during the year, and, except for the components of shareholders' equity, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

(i) Research and development costs

Research and development costs are charged to income as incurred.

(j) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(k) Warranty costs

An accrual for warranty costs is provided to cover the cost of all services anticipated to be incurred under the terms of the contracts during the constructive warranty periods.

(l) Retirement benefits

Accrued retirement benefits for employees are provided principally 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 the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. 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 over a period of 15 years by the straight-line method. Actuarial gain or loss is amortized over 13 years commencing the year following the year in which the gain or loss is recognized by the straight-line method. Prior service cost is fully charged or credited to income as incurred.

See Note 10 for the method of accounting for the separation of the substitutional portion from the corporate portion of the benefit obligation under the Welfare Pension Fund Plans and the partial termination of certain tax-qualified pension plans and lump-sum payment plans.

(m) Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(n) Derivatives

The Company enters into forward foreign exchange contracts and interest-rate swap agreements in order to manage the risk arising from adverse fluctuation in foreign exchange rates and interest rates. Derivatives are carried at fair value, with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting.

(o) Appropriations of retained earnings

Under the Commercial Code, the appropriations of retained earnings with respect to a given financial period are made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Notes 8 and 20.

3. Accounting Changes

(a) Effective the year ended March 31, 2004, the Company has early adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising from ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows from other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of property, plant and equipment in the amount of ¥12,599 million was recognized and loss before income taxes and minority interests increased by the same amount for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

(b) Until the year ended March 31, 2003, the Company provided an accrual for warranty costs to cover the cost of services relating products sold for the following fiscal year based on their historical experience to fulfill their liability under the terms of their warranty contracts. Effective April 1, 2004, the Company changed its method of accounting for warranty costs to provide an accrual to cover the cost of all services anticipated to be incurred during the warranty period including those incurred for services provided for free as a goodwill to customers in order to achieve a better matching of revenue and expenses and to establish a solid financial position from a more long-term and international point of view. The cumulative effect of this change amounted to ¥3,443 million as of April 1, 2003 and was recorded as a loss for the year ended March 31, 2004. The effect of this change in method of accounting was to increase selling, general and administrative expenses by ¥359 million, to decrease operating income by ¥359 million and to increase loss before income taxes and minority interest by ¥3,802 million for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥117 = US\$1.00, the exchange rate prevailing on March 31, 2006. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories 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
Finished products	¥ 38,378	¥ 27,723	\$ 328,017
Work in process	4,417	4,663	37,752
Raw materials and supplies	2,509	2,090	21,444
	¥ 45,306	¥ 34,476	\$ 387,231

6. Land Revaluation

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Company's business operations was revalued on March 31, 2000. The income tax effect of the difference between the book value and the revalued amount has been presented under liabilities as "Deferred tax liabilities on land revaluation account" and the remaining balance has been presented under shareholders' equity as "Land revaluation account" in the accompanying consolidated balance sheets.

The revaluation of land was determined based on the official notice prices published by the Commissioner of the National Tax Authorities in accordance with Paragraph 4, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments.

The carrying value of the land after revaluation exceeded its fair value by ¥21,113 million (\$180,453 thousand) and ¥20,229 million at March 31, 2006 and 2005, respectively.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings represent loans from banks and other financial institutions at the weighted average interest rates of 0.5% and 1.7% at March 31, 2006 and 2005, respectively.

Long-term debt 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
Unsecured bonds:			
0.83% due 2005	¥ -	¥ 15,000	\$ -
0.83% due 2007	15,000	-	128,205
0.92% due 2008	15,000	-	128,205
Loans from banks and other financial institutions maturing through 2012:			
Collateralized	31,950	34,886	273,077
Unsecured	39,000	50,691	333,333
	100,950	100,577	862,821
Less current portion	(38,554)	(18,857)	(329,521)
	¥ 62,395	¥ 81,720	\$ 533,291

The average interest rate on the loans from banks and other financial institutions was 0.9% and 1.3% for the years ended March 31, 2006 and 2005, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 38,554	\$ 329,521
2008	39,973	341,650
2009	16,800	143,590
2010	622	5,316
2011	-	-
2012 and thereafter	5,000	42,735
	¥ 100,950	\$ 862,821

The assets pledged as collateral for short-term borrowings and long-term debt of ¥2,930 million (\$25,043 thousand) and ¥31,950 million (\$273,077 thousand), respectively, at March 31, 2006, and of ¥31,070 million and ¥34,886 million, respectively, at March 31, 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
Trade notes and accounts receivable	¥ -	¥ 7,829	\$ -
Property, plant and equipment, at net book value	71,213	153,218	608,658
Investment securities	1,914	5,790	16,359
	¥ 73,127	¥ 166,839	\$ 625,017

The Company has entered into loan commitment agreements amounting to ¥1,357 million (\$11,598 thousand) with two banks. There were no borrowings outstanding under these loan commitment agreements as of March 31, 2006.

8. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company provides a legal reserve which is included in retained earnings. The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of the legal reserve and the capital surplus account equals 25% of the common stock account. The Code provides that neither capital surplus nor the legal reserve is available for the payment of 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 capital surplus 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.

Pursuant to a resolution made by the general shareholders' meeting held on June 25, 2004, the accumulated deficit of ¥68,901 million was

eliminated by using capital surplus of the same amount.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates requirements on distribution of earnings which are 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.

On December 16, 2003, the Company issued 176,656,000 shares of preferred stock (44,164,000 shares for each of Class I, II, III and IV) to three banks and Nissan Motor Co., Ltd. for ¥600 per share. As part of this issuance of preferred stock, short-term borrowings of ¥89,995 million were converted into 149,992,000 shares of preferred stock.

Pursuant to resolutions approved by the shareholders' meetings of common stock and preferred stock held on June 28, 2005, the Company reduced its common stock and preferred stock by ¥20,000 million (\$170,940 thousand) in the aggregate that resulted in an increase of capital surplus by the same amount and repurchased 37,498,000 shares of Class IV preferred stock for ¥24,748 million (\$211,521 thousand). Those shares of Class IV preferred stock were cancelled in August 2005. In this connection, capital surplus was reduced by ¥20,000 million (\$170,940 thousand) and loss on disposal of treasury stock of ¥4,748 million (\$40,581 thousand) was recorded for the year ended March 31, 2006. As of March 31, 2006, 6,666,000 shares of Class IV preferred stock are issued and outstanding.

Pursuant to resolutions approved by the extraordinary shareholders' meeting of common stock and the shareholders' meetings of each class of shares of preferred stock held on February 3, 2006, the Company cancelled its 44,164,000 shares of Class III preferred stock. As a result, preferred stock account and common stock were decreased by ¥31,709 million (\$271,017 thousand) in the aggregate.

The holders of the Company's preferred stock are entitled to noncumulative dividends calculated based on TIBOR as defined, preference in liquidation over holders of common stock of ¥600 per share, and call options to redeem the preferred stock if certain conditions are met. On the other hand, the Company can redeem the shares of preferred stock after September 1, 2005 at its option. In addition, the preferred stock is convertible, at the option of the holders, to shares of common stock of the Company. The conversion price and periods are summarized as follows:

	Conversion price per share at March 31, 2006	Period (up to and including)
Class I	¥ 209	From April 1, 2008 to March 31, 2028
Class II	209	From April 1, 2010 to March 31, 2030
Class IV	209	From April 1, 2014 to March 31, 2034

The conversion price is subject to adjustment in certain cases which include stock splits. A sufficient number of shares of common stock is reserved for the conversion of all outstanding shares of preferred stock.

The shares of preferred stock outstanding at the end of each conversion period shall automatically be converted into shares of common stock of the Company on the date designated by the Company's Board of Directors.

During the year ended March 31, 2006, the Company issued 62,269,000 new shares of common stock for ¥48,927 million (\$418,179 thousand).

Pursuant to a resolution approved at an extraordinary meeting of the shareholders held on November 27, 2003, the Company acquired 14,552,947 shares of common stock of the Company from Renault free of charge and these shares were retired on December 30, 2003. In this connection, the common stock account decreased by ¥765 million and the capital surplus account increased by the same amount for the year ended March 31, 2004. In addition, the number of authorized shares of common stock was increased from 800,000,000 shares to 1,423,344,000 shares.

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, enterprise tax and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 41% for 2006 and 2005 and 42% for 2004. Income taxes of the foreign 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 operations for the years ended March 31, 2006, 2005 and 2004 differ from the statutory tax rates for the following reasons:

For the years ended	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004
Statutory tax rates	(40.5)%	(40.5)%	(41.8)%
Effect of:			
Expenses not deductible for income tax purposes	(1.1)	(1.2)	1.0
Changes in valuation allowance	26.1	29.4	30.3
Inhabitants' per capita taxes	(0.4)	(0.4)	0.3
Other, net	3.5	1.6	0.0
Effective tax rates	(12.4)%	(11.1)%	(10.2)%

The significant components of deferred tax assets and liabilities 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
Deferred tax assets:			
Accrued bonuses	¥ 1,702	¥ 1,533	\$ 14,547
Allowance for doubtful receivables	3,993	4,980	34,128
Accrued retirement benefits	12,740	14,573	108,889
Accrual for warranty costs	1,685	2,131	14,402
Unrealized profits of inventories	1,972	1,450	16,855
Impairment loss on property, plant and equipment	640	1,387	5,470
Net operating loss carryforwards	3,205	4,610	27,393
Net unrealized holding loss on securities	2	4	17
Other	3,050	1,649	26,068
Gross deferred tax assets	28,992	32,321	247,795
Valuation allowance	(9,332)	(18,896)	(79,761)
Total deferred tax assets	19,660	13,425	168,034
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	1,598	1,592	13,658
Net unrealized holding gain on securities	3,647	2,161	31,171
Total deferred tax liabilities	5,245	3,753	44,829
Net deferred tax assets	¥ 14,414	¥ 9,671	\$ 123,197

10. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., Welfare Pension Fund Plans ("WPPF"), 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. The Company and certain domestic consolidated subsidiaries have also 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 at 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	¥ (9,114)	¥ (9,226)	\$ (77,897)
Plan assets at fair value	269	242	2,299
Unfunded retirement benefit obligation	(8,845)	(8,984)	(75,598)
Unrecognized net retirement benefit obligation at transition	(7)	(8)	(60)
Unrecognized actuarial loss	1,114	1,397	9,521
Accrued retirement benefits.....	¥ (7,739)	¥ (7,595)	\$ (66,145)

The components of retirement benefit expenses for the years ended March 31, 2006, 2005 and 2004 are 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	¥ 999	¥ 1,511	¥ 3,275	\$ 8,538
Interest cost	190	709	1,569	1,624
Expected return on plan assets	–	(149)	(745)	–
Amortization of net retirement benefit obligation at transition	2	475	2,232	17
Amortization of actuarial gain or loss	102	556	948	872
Additional retirement benefits paid	191	168	269	1,632
Subtotal	1,486	3,271	7,551	12,701
Loss on return of substitutional portion of the WPPF	–	–	2,636	–
Loss on partial termination of tax-qualified pension plans and lump-sum payment plans ..	–	–	28,743	–
Gain on dissolution of the WPPF	–	(4,730)	–	–
Contribution made to defined contribution plans and others	1,650	1,144	–	14,103
Total	¥ 3,136	¥ (314)	¥ 38,931	\$ 26,803

Effective April 1, 2004, the Company and certain domestic subsidiaries amended their tax-qualified pension plans and lump-sum payment plans so that a portion of the benefits under these plans was transferred to newly established defined contribution plans. In this connection, the Company and these domestic consolidated subsidiaries recognized a loss of ¥28,743 million for the year ended March 31, 2004. The assets of ¥51,766 million are being transferred to the defined contribution plans over a period of eight years.

On April 15, 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for an exemption from the obligation for benefits related to future employees' services under the substitutional portion of the WPPF. In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion from the corporate portion of the benefit obligation under its WPPF as of the date of approval of its exemption, assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date. Consequently, the Company recognized a loss of ¥2,636 million for the year ended March 31, 2004. This WPPF was dissolved that resulted in recognition of a gain of ¥4,730 million for the year ended March 31, 2005.

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

For the years ended	2005 Mar. 31, 2006	2004 Mar. 31, 2005
Discount rate	2.3%	2.3%
Expected rate of return on plan assets	–	Principally 3.5%

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 ¥16,569 million (\$141,615 thousand), ¥16,166 million and ¥15,394 million, respectively.

12. Amounts per Share

For the years ended	Yen			U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	2005 Mar. 31, 2006
Net income (loss) per share:				
Basic	¥ 108.73	¥ 117.00	¥ (159.61)	\$ 0.93
Diluted	42.15	39.93	—	0.36
Cash dividends:				
Class I preferred stock	7.86	—	—	0.07
Class II preferred stock	9.80	—	—	0.08
Class III preferred stock	11.73	—	—	0.10
Class IV preferred stock	13.28	—	—	0.11
Common stock	3.00	—	—	0.03

As of	Yen		U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Net assets per share	¥ 209.58	¥ (18.20)	\$ 1.79

Basic net income (loss) per share is computed based on the net income (loss) attributable 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 attributable 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 conversion of preferred stock.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

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

No diluted information is presented for the year ended March 31, 2004 because net loss was recorded for this year.

13. Leases

(a) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2006 and 2005, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

As of	Millions of yen		Thousands of U.S. dollars
	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2005 Mar. 31, 2006
Acquisition costs:			
Machinery and equipment	¥ 7,271	¥ 7,308	\$ 62,145
Other assets	4,515	6,126	38,590
	¥ 11,786	¥ 13,434	\$ 100,735
Accumulated depreciation:			
Machinery and equipment	¥ 5,372	¥ 4,734	\$ 45,914
Other assets	2,652	3,620	22,667
	¥ 8,024	¥ 8,355	\$ 68,581
Net book value:			
Machinery and equipment	¥ 1,898	¥ 2,573	\$ 16,222
Other assets	1,863	2,505	15,923
	¥ 3,762	¥ 5,079	\$ 32,154

Lease payments relating to finance leases accounted for as operating leases amounted to ¥2,005 million (\$17,137 thousand), ¥2,256 million and ¥2,176 million for the years ended March 31, 2006, 2005 and 2004, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in the lease payments amounted to ¥1,719 million (\$14,692 thousand) and ¥162 million (\$1,385 thousand), respectively, for the year ended March 31, 2006, ¥2,009 million and ¥222 million, respectively, for the year ended March 31, 2005, and ¥1,966 million and ¥224 million, respectively, for the year ended March 31, 2004.

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

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2007	¥ 1,643	¥ 39	\$ 14,043	\$ 333
2008 and thereafter	2,464	26	21,060	222
Total	¥ 4,108	¥ 66	\$ 35,111	\$ 564

(b) Lessors' accounting

There were no leased assets relating to finance leases accounted for as operating leases at March 31, 2006 and 2005.

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥9,748 million for the year ended March 31, 2004. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥7,584 million and ¥1,343 million, respectively, for the year ended March 31, 2004.

14. Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars	
As endorser of documentary export bills discounted with banks	¥ 29		\$ 248	
As guarantor of indebtedness of affiliates	2,187		18,692	
As guarantor of employees' mortgages and vehicle loans from banks and others	3,059		26,145	
As guarantor of notes receivable sold	809		6,915	
	¥ 6,086		\$ 52,017	

15. Securities

(a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of 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 fair value exceeds their carrying value	¥ 0	¥ 0	¥ 0	\$ 1	\$ 1	\$ 0
Securities whose carrying value exceeds their fair value	21	21	(0)	179	179	(0)
Total	¥ 21	¥ 21	¥ (0)	\$ 179	\$ 179	\$ (0)

Fiscal year 2004 (As of Mar.31,2005)	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥ 1	¥ 1	\$ 0
Securities whose carrying value exceeds their fair value	21	21	(0)
Total	¥ 22	¥ 22	\$ (0)

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:						
Stocks	¥ 5,719	¥ 14,905	¥ 9,185	\$ 48,880	\$ 127,393	\$ 78,504
Other	-	-	-	-	-	-
Subtotal	5,719	14,905	9,185	48,880	127,393	78,504
Securities whose acquisition cost exceeds their carrying value:						
Stocks	593	462	(130)	5,068	3,949	(1,111)
Subtotal	593	462	(130)	5,068	3,949	(1,111)
Total	¥ 6,313	¥ 15,368	¥ 9,054	\$ 53,957	\$ 131,350	\$ 77,385

Fiscal year 2004 (As of Mar.31,2005)	Millions of yen		
	Acquisition cost	Carrying value	Unrealized holding gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 3,724	¥ 9,610	\$ 5,885
Other	44	47	2
Subtotal	3,769	9,657	5,888
Securities whose acquisition cost exceeds their carrying value:			
Stocks	3,401	2,907	(494)
Subtotal	3,401	2,907	(494)
Total	¥ 7,170	¥ 12,564	\$ 5,394

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2006, 2005 and 2004 is 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 amount	¥ 3,193	¥ 2,720	¥ 308	\$ 27,291
Aggregate gain on sales	2,231	1,399	80	19,068
Aggregate loss on sales	¥ 0	¥ -	¥ -	\$ 4

(c) The redemption schedule for securities with maturity dates which were 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		Thousands of U.S. dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Bonds	¥ 25	¥ 30	\$ 214	\$ 256
Total	¥ 25	¥ 30	\$ 214	\$ 256

16. Supplemental Cash Flow Information

The following is the summary of the transferred assets and liabilities from the sale of stock of Ace Leasing Co., Ltd. and its subsidiary in the year ended March 31, 2005:

	Millions of yen
Current assets	¥ 28,677
Noncurrent assets	25,443
Total assets	54,121
Current liabilities	50,641
Noncurrent liabilities	7
Total liabilities	¥ 50,648

During the year ended March 31, 2004, the Company renewed its land securitization transactions and accounted for such transactions as a collateralized financing transactions rather than sales of land. As a result, land and corresponding long-term debt of ¥25,500 million were recorded upon the renewal.

During the year ended March 31, 2004, short-term borrowings of ¥89,995 million were converted to shares of preferred stock. See Note 8.

17. Derivatives

The Company utilizes derivatives for the purpose of hedging its exposure to adverse fluctuation in foreign exchange rates and interest rates, but does not enter into such transactions for speculative or trading purposes.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because the Company enters into transactions only with financial institutions with high credit ratings.

At March 31, 2006 and 2005, the disclosure of fair value information for derivatives has been omitted since all derivatives have been accounted for as hedges.

18. Related Party Transactions

The Company was a 19.4%-owned affiliate of Nissan Motor Co., Ltd. ("NML") until March 27, 2006 when NML sold the Company's 40 million shares of common stock representing approximately 14% of voting rights. As a result, the Company is no longer an affiliate of NML. The transaction amounts presented below for the year ended March 31, 2006 represented those for the period from April 1, 2005 to March 27, 2006.

Consolidated net sales included those to NML which totaled ¥85,204 million (\$728,239 thousand), ¥95,953 million and ¥87,211 million for the years ended March 31, 2006, 2005 and 2004, respectively. In addition, the Company purchased parts from NML for aggregate amounts of ¥25,904 million (\$221,402 thousand), ¥32,349 million and ¥30,373 million during the years ended March 31, 2006, 2005 and 2004, respectively.

During the year ended March 31, 2005, the Company purchased certain tangible assets from a subsidiary of NML for ¥8,458 million. The Company sold its small-sized truck development rights to NML for ¥1,200 million and recognized a gain of the same amount for the year ended March 31, 2004.

On December 16, 2003, the Company issued 26,664,000 shares of preferred stock to NML for ¥15,998 million or ¥600 per share. See Note 8.

The terms of the transactions referred to above were negotiated on, and have been determined at, an arm's-length basis.

19. Segment Information

Business segment information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products (i.e., vehicles, engines, parts and related components) in the vehicle business segment. As these operations constitute a single area of business, the disclosure of business segment information has been omitted.

Geographical segment information

As net sales and total assets of the foreign consolidated subsidiaries constituted less than 10% of the consolidated totals for the years ended March 31, 2006, 2005 and 2004, the disclosure of geographical segment information has been omitted.

Overseas sales information

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its 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)	Millions of yen					Thousands of U.S. dollars				
	North America	Asia	Africa	Other	Total	North America	Asia	Africa	Other	Total
Overseas sales	¥ 12,140	¥ 26,801	¥ 27,958	¥ 18,813	¥ 85,714	\$ 103,761	\$ 229,068	\$ 238,957	\$ 160,795	\$ 732,598
Consolidated net sales					482,827					4,126,726
Overseas sales as a percentage of consolidated net sales	2.5%	5.6%	5.8%	3.9%	17.8%					

Fiscal year 2004 (For the year ended Mar.31,2005)	Millions of yen				
	North America	Asia	Africa	Other	Total
Overseas sales	¥ 12,646	¥ 26,066	¥ 25,887	¥ 18,159	¥ 82,759
Consolidated net sales					461,169
Overseas sales as a percentage of consolidated net sales	2.7%	5.7%	5.6%	3.9%	17.9%

Fiscal year 2003 (For the year ended Mar.31,2004)	Millions of yen				
	North America	Asia	Africa	Other	Total
Overseas sales	¥ 9,960	¥ 25,078	¥ 15,742	¥ 13,599	¥ 64,380
Consolidated net sales					452,970
Overseas sales as a percentage of consolidated net sales	2.2%	5.5%	3.5%	3.0%	14.2%

20. Subsequent Events

- 1) Pursuant to a resolution by the Board of Directors of the Company on March 31, 2006, the Company issued 1.45% unsecured bonds due 2008 in the amount of ¥10,000 million (\$85,470 thousand) on June 23, 2006.
- 2) At the shareholders' meeting held on June 28, 2006, it was resolved that the Company reduce its capital surplus by ¥25,000 million (\$213,675 thousand) and that the Company repurchase 37,498 thousand shares of Class II preferred stock (representing 84.9% of the shares of Class II preferred stock issued) for the maximum purchase price of ¥30,000 million (\$256,410 thousand) for cancellation.
- 3) The following appropriations of retained earnings of the Company were approved at a shareholders' meeting held on June 28, 2006:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends:		
Class I preferred stock (¥6.11 = \$0.05 per share)	¥ 269	\$ 2,299
Class II preferred stock (¥7.61 = \$0.07 per share)	336	2,872
Class IV preferred stock (¥10.31 = \$0.09 per share)	68	581
Common stock (¥3.00 = \$0.03 per share)	919	7,855
	¥ 1,593	\$ 13,615

Report of Independent Auditors

The Board of Directors
Nissan Diesel Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Diesel Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, 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 Diesel 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

As described in Note 20, at the general shareholders' meetings held on June 28, 2006, it was resolved that the Company reduce its capital surplus and repurchase its shares of Class II preferred stock.

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 4.

Ernst & Young ShinNikon

June 28, 2006