

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

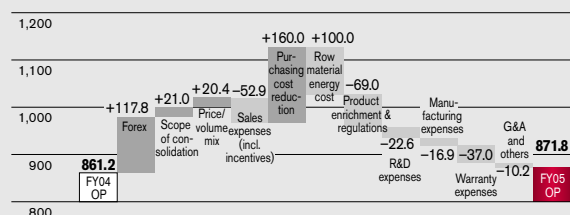
Consolidated operating profit improved by 1.2 percent from last year to a record ¥871.8 billion, resulting in an operating profit margin of 9.2 percent. The following factors affected operating profit:

- 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

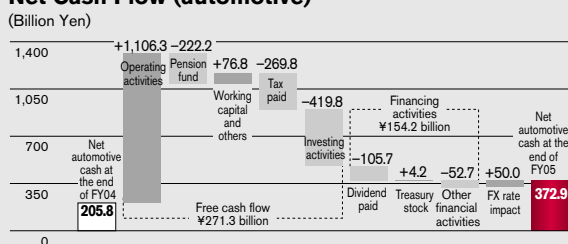
In 2005, Nissan's total consolidated assets went up by 16.6 percent to ¥11,481.4 billion.

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.

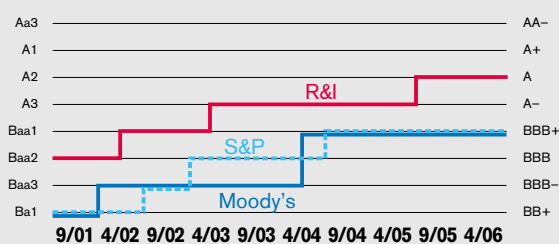
Current liabilities went up by ¥877 billion, or 22.1 percent, to ¥4,851.7 billion. This included an increase in short-term borrowings of ¥664.5 billion for sales financing and foreign exchange activity of ¥198.5 billion.

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.

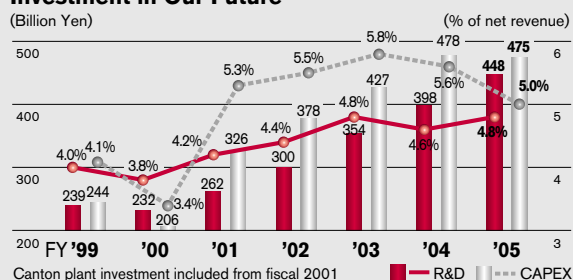
Dividend

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

