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:

	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 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:

	Millions of yen		*Thousands of U.S. dollars*
As of	**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:

As of	Millions of yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	Thousands of U.S. dollars 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:

As of	Millions of yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	Thousands of U.S. dollars 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:

For the years ended	Millions of yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	Thousands of U.S. dollars 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:

As of	Millions of yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	Thousands of U.S. dollars 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:

As of	Millions of yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	Thousands of U.S. dollars 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:

	Millions of yen		Thousands of U.S. dollars
As of	**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 ("WPFP"), 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:

	Millions of yen		*Thousands of U.S. dollars*
As of	**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 WPFP.

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

	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*
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)**

FINANCIAL SECTION

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:

For the years ended	**2005** *Mar. 31, 2006*	2004 *Mar. 31, 2005*	2003 *Mar. 31, 2004*
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:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2005** *Mar. 31, 2006*	2004 *Mar. 31, 2005*	**2005** *Mar. 31, 2006*
Deferred tax assets:			
Net operating loss carryforwards	**¥ 20,343**	¥ 24,660	**$ 173,872**
Accrued retirement benefits	**157,319**	172,379	**1,344,607**
Accrual for warranty costs	**67,461**	38,047	**576,590**
Other	**454,878**	379,543	**3,887,846**
Gross deferred tax assets	**700,001**	614,629	**5,982,915**
Valuation allowance	**(38,880)**	(36,369)	**(332,308)**
Total deferred tax assets	**661,121**	578,260	**5,650,607**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law, etc.	**(440,939)**	(379,924)	**(3,768,709)**
Difference between cost of investments and their underlying net equity at fair value	**(81,634)**	(88,840)	**(697,726)**
Unrealized holding gain on securities	**(14,828)**	(5,971)	**(126,735)**
Other	**(155,465)**	(128,577)	**(1,328,762)**
Total deferred tax liabilities	**(692,866)**	(603,312)	**(5,921,932)**
Net deferred tax liabilities	**¥ (31,745)**	¥ (25,052)	**$ (271,325)**

FINANCIAL SECTION

14. RETAINED EARNINGS

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

	Millions of yen
For the year ended	2004 *Mar. 31, 2005*
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:

	Millions of yen
For the year ended	2004 *Mar. 31, 2005*
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:

Year ending Mar. 31,	*Millions of yen*	*Thousands of U.S. dollars*
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:

Year ending Mar. 31,	*Millions of yen*	*Thousands of U.S. dollars*
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:

	Millions of yen	*Thousands of U.S. dollars*
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

For the years ended	Yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	2003 Mar. 31, 2004	U.S. dollars 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**

As of	Yen 2005 Mar. 31, 2006	2004 Mar. 31, 2005	U.S. dollars 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

	Millions of yen			Thousands of U.S. dollars		
Fiscal year 2005 *(As of Mar. 31, 2006)*	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	$ —

	Millions of yen		
Fiscal year 2004 *(As of Mar. 31, 2005)*	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	¥—

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Fiscal year 2005 *(As of Mar. 31, 2006)*	Thousands of U.S. dollars: 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* Notional amount	Fair value	Unrealized gain (loss)	*Thousands of U.S. dollars* 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.

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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
	Millions of yen				
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
	Thousands of U.S. dollars				
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
			Millions of yen		
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
			Millions of yen		
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

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2005 *(As of Mar. 31, 2006)*	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* Automobile and Eliminations	Sales Financing	Consolidated total	*Thousands of U.S. dollars* 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* Automobile and Eliminations	Sales Financing	Consolidated total	*Thousands of U.S. dollars* 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)*	Automobile and Eliminations (*Millions of yen*)	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
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
	Millions of yen						
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						
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
	Millions of yen						
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
	Millions of yen						
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
	Millions of yen			
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			
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
	Millions of yen			
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
	Millions of yen			
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:

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

FINANCIAL SECTION