

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal year 2006 (Year ended March 31, 2007)

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 valuation, translation adjustments and others (retained earnings in 2005).

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 net assets excluding minority interests (shareholders' equity in 2005) 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. Differences arising from the translation are presented as translation adjustments 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.

(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 net assets (shareholders' equity in 2005). 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.

(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.

(i) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the 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.

(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 fluctuations 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 a component of net assets (an asset or a liability in 2005). See Note 2(a).

(n) New Accounting Standards

In May 2006, the Accounting Standards Board of Japan issued a new accounting guideline to harmonize the accounting policies of overseas subsidiaries in the preparation of consolidated financial statements. This accounting standard will become effective the fiscal year commencing on or subsequent to April 1, 2008. 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, 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.

(b) 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 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.

(c) Effective April 1, 2006, the Company adopted a new accounting standard for share-based payment and related implementation

guidance. The effect of this change was to decrease operating income, income before income taxes and minority interests by ¥1,037 million (\$8,788 thousand) from 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) Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet and related implementation guidance. Shareholders' equity under the previous presentation method amounted to ¥3,543,420 million (\$30,028,983 thousand) as of March 31, 2007. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statement of changes in net assets instead of consolidated statements of shareholders' equity.

(e) Until the year ended March 31, 2006, since the difference between the fiscal year end of the parent company and those of 55 consolidated subsidiaries was within three months, the operating results of those subsidiaries were consolidated by using their financial statements as of their respective fiscal year ends. Effective the year ended March 31, 2007, 22 consolidated subsidiaries have been consolidated by using their financial statements as of the parent's fiscal year end prepared solely for consolidation purposes instead of those as of their respective fiscal year end. This change was made, upon the completion of the internal reporting systems which allow those subsidiaries to accelerate their financial statement closing process, in order to make the disclosures of the consolidated financial statements more meaningful by unifying the fiscal year. In addition, 33 consolidated subsidiaries have also changed their fiscal year end to March 31 for the same reason.

Accordingly, the operating results for the 15-month period from January 1, 2006 to March 31, 2007 of the 55 consolidated subsidiaries have been included in the consolidated financial statements for the year ended March 31, 2007.

As a result, net sales, operating income, income before income taxes and minority interests and net income increased by ¥767,606 million (\$6,505,136 thousand), ¥21,443 million (\$181,720 thousand), ¥15,661 million (\$132,720 thousand) and ¥11,589 million (\$98,212 thousand), respectively, over the corresponding amounts which would have been reported 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 ¥118 = US\$1.00, the approximate rate of exchange in effect on March 31, 2007, 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, 2007 and 2006 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Notes and accounts receivable.....	¥ 679,119	¥ 488,600	\$ 5,755,246
Finance receivables.....	3,557,223	3,589,127	30,145,958
Less allowance for doubtful receivables.....	(96,083)	(87,979)	(814,263)
	¥4,140,259	¥3,989,748	\$35,086,941

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, 2007 and 2006 were as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Finished products.....	¥ 712,696	¥607,149	\$6,039,797
Work in process and other.....	291,975	249,350	2,474,364
	¥1,004,671	¥856,499	\$8,514,161

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2007 and 2006 is summarized as follows:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Land.....	¥ 733,651	¥ 740,716	\$ 6,217,382
Buildings and structures.....	1,531,902	1,513,774	12,982,220
Machinery and equipment.....	6,808,155	6,021,596	57,696,229
Construction in progress.....	152,829	240,270	1,295,161
	¥9,226,537	¥8,516,356	\$78,190,992

The following table set forth the acquisition costs and related accumulated amortization of assets recorded under finance leases included in the above balances:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Buildings and structures.....	¥ 16,346	¥ 15,570	\$ 138,525
Machinery and equipment.....	275,258	322,391	2,332,695
	291,604	337,961	2,471,220
Accumulated amortization.....	(160,851)	(187,405)	(1,363,144)
	¥130,753	¥150,556	\$1,108,076

Depreciation and amortization of property, plant and equipment for each of the three years in the period ended March 31, 2007 was as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2006 Mar. 31, 2007
Depreciation and amortization.....	¥705,380	¥635,344	¥514,261	\$5,977,797

The Company and certain domestic consolidated subsidiaries have recognized an impairment loss on idle assets and assets to be disposed of due to a significant decline in their market value by reducing their net book value to the respective net realizable value of each asset. Such loss amounted to ¥22,673 million (\$192,144 thousand) for the year ended March 31, 2007 which consisted of losses on idle assets of ¥9,298 million (\$78,797 thousand) (land — ¥6,907 million and building and structures—¥2,305 million, and machinery and equipment—¥86 million) and losses on assets to be sold of ¥1,078 million (\$9,136 thousand) (land—¥467 million and buildings and structures—¥611 million), and losses of ¥12,297 million (\$104,212 thousand) on assets disposed of (land—¥7,476 million and buildings and structures—¥4,821 million).

The impairment loss of ¥26,827 million for the year ended March 31, 2006 consisted of losses on idle assets of ¥19,190 million (land—¥17,186 million, buildings—¥1,525 million and others—¥479 million) and losses on assets to be sold of ¥7,637 million (land—¥4,654 million, buildings and structures—¥1,434 million, and others—¥1,549 million).

The net realizable value of the idle assets and those to be disposed of was based on their appraisal value and that of the assets to be sold was estimated based on their respective sales contracts.

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2007 and 2006 consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Notes and accounts payable.....	¥1,103,186	¥ 983,594	\$ 9,349,034
Accrued expenses and other.....	589,337	548,726	4,994,381
	¥1,692,523	¥1,532,320	\$14,343,415

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2007 and 2006, short-term borrowings and the current portion of long-term debt consisted of the following:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Loans, principally from banks.....	¥1,056,319	¥1,159,743	\$ 8,951,856
Commercial paper.....	965,238	366,998	8,179,983
Current portion of long-term debt (excluding lease obligations).....	1,075,854	1,007,025	9,117,407
Current portion of lease obligations.....	50,421	58,523	427,296
	¥3,147,832	¥2,592,289	\$26,676,542

The annual weighted-average interest rates applicable to short-term borrowings and current portion of long-term debt excluding lease obligations outstanding at March 31, 2007 and 2006 were 3.1% and 2.8%, respectively.

The annual weighted-average interest rates applicable to current portion of lease obligations outstanding at March 31, 2007 were 1.3%.

At March 31, 2007 and 2006, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of 2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Debt with collateral:			
Loans from banks and other financial institutions due through 2011 with weighted-average interest rate of 4.8%	¥1,423,586	¥1,583,358	\$12,064,288
Debt without collateral:			
Loans from banks and other financial institutions due through 2026 with weighted-average interest rate of 2.9%	718,923	680,536	6,092,568
Bonds in yen due through 2010 at rates ranging from 0.4% to 2.4%	557,977	642,980	4,728,619
Straight Bonds in U.S. dollars due through 2011 at rates ranging from 4.6% to 5.6%	206,391	205,573	1,749,076
Medium-term notes in U.S. dollars due through 2008 at rates ranging from 5.4% to 5.6%	11,159	29,711	94,568
Euro medium-term notes in U.S. dollars and Euro due through 2006 at rates ranging from 4.1% to 4.7%	—	15,416	—
Medium-term notes in Mexican pesos due through 2011 at rates ranging from 7.4% to 7.8%	53,650	—	454,661
Other	1,689	3,346	14,313
Lease obligations	109,561	130,231	928,483
	3,082,936	3,291,151	26,126,576
Less current portion	1,126,275	1,065,548	9,544,703
	¥1,956,661	¥2,225,603	\$16,581,873

The maturities of long-term debt excluding lease obligations are summarized as follows:

Year ending Mar. 31,	Millions of yen	Thousands of U.S. dollars
2008	¥1,075,854	\$ 9,117,407
2009	739,319	6,265,415
2010	636,846	5,397,000
2011 and thereafter	521,576	4,420,136
	¥2,973,595	\$25,199,958

The discounts on bonds of ¥220 million (\$1,864 thousand) at March 31, 2007 are reported in the consolidated balance sheet as a direct deduction from the face amount of the bonds.

The maturities of lease obligations are summarized as follows:

Year ending Mar. 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 50,421	\$427,297
2009	22,839	193,551
2010	10,486	88,864
2011 and thereafter	25,815	218,771
	¥109,561	\$928,483

The assets pledged as collateral for short-term borrowings of ¥612,193 million (\$5,188,076 thousand) and long-term debt of ¥1,422,841 million (\$12,057,975 thousand) at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Receivables	¥1,378,786	\$11,684,627
Property, plant and equipment, at net book value	1,057,988	8,966,000
Other assets	445	3,771
	¥2,437,219	\$20,654,398

In addition to the above, at March 31, 2007, finance receivables of ¥55,066 million (\$466,661 thousand) which have been eliminated from the accompanying consolidated balance sheet were pledged as collateral for short-term borrowings of ¥54,957 million (\$465,737 thousand).

9. RETIREMENT BENEFIT PLANS

The Company and most of consolidated subsidiaries have defined benefit plans and/or defined contribution plans.

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans ("WFPF"), 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.

Certain consolidated subsidiaries transferred a portion of the benefit obligations under the above defined benefit plans to defined contribution plans during the years ended March 31, 2007 and 2006. In this connection, the pension assets of ¥4,493 million (\$38,076 thousand) and ¥45,762 million were also transferred to the defined contribution plans during the years ended March 31, 2007 and 2006, respectively.

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, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

As of	Millions of yen		Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Retirement benefit obligation.....	¥(1,273,725)	¥(1,239,004)	\$ (10,794,280)
Plan assets at fair value.....	1,008,771	817,371	8,548,907
Unfunded retirement benefit obligation	(264,954)	(421,633)	(2,245,373)
Unrecognized net retirement benefit obligation at transition	89,822	99,966	761,203
Unrecognized actuarial loss.....	81,493	120,920	690,619
Unrecognized prior service cost.....	(54,049)	(66,714)	(458,042)
Net retirement benefit obligation	(147,688)	(267,461)	(1,251,593)
Prepaid pension cost.....	46,806	234	396,661
Accrued retirement benefits	¥ (194,494)	¥ (267,695)	\$ (1,648,254)

The substitutional portion of the benefits under the WFPF has been included in the amounts shown in the above table.

Certain domestic subsidiaries received the approval from the Minister of Health, Labor and Welfare in the years ended March 31, 2006 and 2005 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 WFPF.

The components of retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

For the years ended	Millions of yen			Thousands of U.S. dollars
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2004 Mar. 31, 2005	2006 Mar. 31, 2007
Service cost.....	¥51,696	¥41,022	¥47,802	\$438,102
Interest cost	41,209	36,809	33,288	349,229
Expected return on plan assets.....	(39,625)	(29,581)	(17,999)	(335,805)
Amortization of net retirement benefit obligation at transition.....	11,147	11,265	12,009	94,466
Amortization of actuarial loss.....	9,031	12,542	12,298	76,534
Amortization of prior service cost.....	(6,925)	(5,967)	(5,431)	(58,686)
Other	3,732	2,476	179	31,626
Retirement benefit expenses	70,265	68,566	82,146	595,466
Gain on return of the substitutional portion of welfare pension fund plans.....	—	(772)	(1,107)	—
Net (gain) loss on implementation of defined contribution plans.....	(18,782)	3,570	—	(159,169)
Total.....	¥51,483	¥71,364	¥81,039	\$436,297

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

		2006	2005
		For the years ended Mar. 31, 2007	For the years ended Mar. 31, 2006
Discount rates	Domestic companies.....	2.1% - 2.3%	2.1% - 2.3%
	Foreign companies.....	2.8% - 6.2%	2.5% - 6.0%
Expected rates of return on plan assets	Domestic companies.....	Mainly 3.0%	Mainly 3.0%
	Foreign companies.....	2.8% - 9.0%	3.0% - 9.0%
Amortization period of prior service cost		Mainly 9-15 years	Mainly 9-15 years
Recognition period of actuarial loss		Mainly 9-18 years	Mainly 9-18 years

10. NET ASSETS (SHAREHOLDERS' EQUITY)

The new Company 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 provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

(1) Information regarding changes in net assets for the year ended March 31, 2007 is as follows:

a. Shares issued and outstanding / Treasury stock

Types of share	Thousands of shares			Number of shares at March 31, 2007
	Number of shares at March 31, 2006	Increase	Decrease	
Shares issued:				
Common stock	4,520,715	—	—	4,520,715
Treasury stock:				
Common stock (Notes 1 and 2)	422,763	16,193	29,659	409,297

Notes: 1. Details of the increase are as follows:

	(Thousands of shares)
Increase in stocks held by affiliates accounted for by the equity method	8,337
Increase due to purchase of the stocks	7,810
Increase due to purchase of the stocks of less than standard unit	46

2. Details of the decrease are as follows:

Decrease due to exercising share subscription rights	29,657
Decrease in stocks held by affiliates accounted for by the equity method	2

b. Share subscription rights

Company	Description	Type of shares to be issued	Number of shares at March 31, 2006	Number of shares to be issued (in thousands)		Number of shares at March 31, 2007	Balance at March 31, 2007 (Millions of yen)	Balance at the end of the current fiscal year (Thousands of U.S. dollars)
				Increase	Decrease			
Parent company	Euro-yen bonds with warrants due 2007 (Note 1)	Common stock	15,937	—	15,937	—	—	—
	Euro-yen bonds with warrants due 2008 (Note 2)	Common stock	44,703	—	11,625	33,078	¥1,674	\$14,187
	Share subscription rights as stock options			—			1,037	8,788
Total				—			¥2,711	\$22,975

Notes: 1. The decrease of Euro-yen bonds with warrants due 2007 reflects the exercise of the warrants.

2. The decrease of Euro-yen bonds with warrants due 2008 reflects the exercise of part of the warrants.

c. Dividends

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Annual general meeting of the shareholders on June 27, 2006 ^(Note)	Common stock	¥61,329	¥15	March 31, 2006	June 28, 2006	\$519,737	\$0.13
Meeting of the Board of Directors on October 26, 2006 ^(Note)	Common stock	¥69,735	¥17	September 30, 2006	November 28, 2006	\$590,975	\$0.14

Note: Total dividends have been adjusted by the portion of dividends paid to Renault.

2) Dividends, of which the cutoff date was in the year ended March 31, 2007 and the effective date will be in the year ending March 31, 2008

Resolution	Type of shares	Total dividends (Millions of yen)	Resources of dividends	Dividends per share (Yen)	Cut-off date	Effective date	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)
Annual general meeting of the shareholders on June 20, 2007 ^(Note)	Common stock	¥69,894	Retained earnings	¥17	March 31, 2007	June 21, 2007	\$592,322	\$0.14

Note: Total dividends have been adjusted by the portion of dividends paid to Renault.

(2) Stock Option

The Company has implemented adopted a stock option plan under which share subscription rights are granted to directors and employees of the Company and its subsidiaries and affiliates in accordance with Articles 280-20 and 280-21 of the former Commercial Code of Japan before its revision in 2001 and Articles 236, 238 and 239 of the Company Law in 2006.

Stock option plans		NESS2003	NESS2004	NESS2005	NESS2006
Individuals covered by the Plan	Employees of the Company	548	590	620	456
	Directors of the Company's subsidiaries	101	96	88	72
	Employees of the Company's subsidiaries	5	4	4	
	Total	654	690	712	528
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock	12,405,000	12,770,000	13,150,000	13,075,000
Granted date		May 7, 2003	April 16, 2004	April 25, 2005	May 8, 2006
Exercise period		From May 8, 2005 to May 8, 2010	From April 17, 2006 to June 19, 2013	From April 26, 2007 to June 23, 2014	From May 9, 2008 to June 20, 2015

Conditions for the exercise of share subscription rights are as follows:

- 1) Individuals to whom the share subscription rights are granted (the "Holders") must continue their service with the Company or its subsidiaries and affiliates in the state of being employed or entrusted until the share subscription rights become exercisable.
- 2) The Company's operating results must meet certain predetermined targets.
- 3) The Holders shall achieve their own predetermined performance targets.

Number and activity of stock options	NESS2003	NESS2004	NESS2005	NESS2006
Share subscription rights which are not yet vested.				
Outstanding as of March 31, 2006	—	10,078,000	13,150,000	—
Granted	—	—	—	13,075,000
Forfeited	—	—	4,728,000	75,000
Vested	—	10,078,000	—	—
Outstanding as of March 31, 2007	—	—	8,422,000	13,000,000
Share subscription rights which have already been vested				
Outstanding as of March 31, 2006	8,655,500	—	—	—
Vested	—	10,078,000	—	—
Exercised	1,434,100	690,400	—	—
Forfeited	20,000	109,500	—	—
Outstanding as of March 31, 2007	7,201,400	9,278,100	—	—
Exercise price (yen)	932	1,202	1,119	1,526
Weighted average exercise price (yen)	1,386	1,403	—	—
Weighted average fair value per stock at the granted date (yen)	—	—	—	222.3

Stock option expense included in selling, general and administrative expenses for the year ended March 31, 2007 amounted to ¥1,037 million (\$8,788 thousand). The fair value of options granted is estimated using the binominal model with the following weighted average assumptions.

	NESS2006
Expected volatility	21.00%
Expected holding period	5.5 years
Expected dividend	40 yen
Risk-free rate	1.50%

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, 2007, 2006 and 2005 amounted to ¥464,839 million (\$3,939,314 thousand), ¥447,582 million and ¥398,148 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, 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	For the years ended	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007
Dividend income.....	¥ 1,233	¥ 3,721	¥ 1,340	\$ 10,449
Gain on sales of fixed assets.....	28,498	16,742	24,038	241,508
Loss on disposal of fixed assets.....	(25,402)	(22,213)	(20,115)	(215,271)
Net gain on sales of investment securities.....	9,480	40,223	7,232	80,339
Foreign exchange gain (loss).....	5,796	(34,836)	801	49,119
Amortization of net retirement benefit obligation at transition.....	(10,928)	(11,145)	(11,795)	(92,610)
Gain on return of the substitutional portion of welfare pension fund plans.....	—	772	1,107	—
Loss on restructuring of consolidated subsidiaries' operations.....	(3,824)	(9,404)	(8,752)	(32,407)
Settlement loss on withdrawal from multi-employer retirement benefit plan.....	—	—	(6,337)	—
Impairment loss on fixed assets.....	(22,673)	(26,827)	—	(192,144)
Net gain (loss) on implementation of defined contribution plans.....	18,782	(3,570)	—	159,169
Expenses for share appreciation rights.....	—	(18,332)	—	—
Loss on relocation of the headquarters of a subsidiary in North America.....	(10,827)	—	—	(91,754)
Special severance benefits.....	(31,933)	—	—	(270,619)
Other.....	(51,545)	(26,693)	(80,514)	(436,821)
	¥(93,343)	¥(91,562)	¥(92,995)	\$(791,042)

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 rate of approximately 41% for 2006, 2005 and 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 income for the years ended March 31, 2007, 2006 and 2005 differ from the statutory tax rate for the following reasons:

	For the years ended		
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2004 Mar. 31, 2005
Statutory tax rate	40.6%	40.6%	40.6%
Effect of:			
Decrease in valuation allowance	(0.0)	(1.0)	(1.9)
Different tax rates applied to foreign subsidiaries	(5.4)	(3.1)	(2.7)
Tax credits	(2.8)	(2.7)	(1.5)
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.2)	(1.9)	(1.9)
Other	(0.8)	(0.5)	(0.1)
Effective tax rates	30.4%	31.4%	32.5%

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of	2006 Mar. 31, 2007	2005 Mar. 31, 2006	
Deferred tax assets:			2006 Mar. 31, 2007	
Net operating loss carryforwards	¥	56,141	¥ 20,343	\$ 475,771
Accrued retirement benefits		128,515	157,319	1,089,110
Accrual for warranty costs		70,364	67,461	596,305
Other		499,960	454,878	4,236,950
Gross deferred tax assets		754,980	700,001	6,398,136
Valuation allowance		(72,601)	(38,880)	(615,263)
Total deferred tax assets		682,379	661,121	5,782,873
Deferred tax liabilities:				
Reserves under Special Taxation Measures Law, etc.		(451,404)	(440,939)	(3,825,458)
Difference between cost of investments and their underlying net equity at fair value		(78,917)	(81,634)	(668,788)
Unrealized holding gain on securities		(4,166)	(14,828)	(35,305)
Other		(182,082)	(155,465)	(1,543,068)
Total deferred tax liabilities		(716,569)	(692,866)	(6,072,619)
Net deferred tax liabilities	¥	(34,190)	¥ (31,745)	\$ (289,746)

14. RETAINED EARNINGS

Other changes in retained earnings for each of the two years in the period ended March 31, 2006 were as follows:

	Millions of yen	
	2005 Mar. 31, 2006	2004 Mar. 31, 2005
	<i>For the years ended</i>	
Adjustments for revaluation of the accounts of the consolidated subsidiaries based on general price-level accounting (Note 1 (b))	¥ 9,331	¥12,942
Loss on disposal of treasury stock	(11,507)	(4,700)
Decrease due to increase in unfunded retirement benefit obligation of foreign subsidiaries	(884)	(369)
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
Changes in land revaluation of foreign subsidiaries	1,646	2,182
Decrease due to an affiliate's transition to International Financial Reporting Standards	(6,004)	—
	¥(10,090)	¥11,159

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 as a result of the acquisition of their shares through the private placement for the year ended March 31, 2005:

	Millions of yen	
	2004 Mar. 31, 2005	
	<i>For the year ended</i>	
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	
	2004 Mar. 31, 2005	
	<i>For the year ended</i>	
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, 2007 for noncancelable operating leases are summarized as follows:

<i>Year ending Mar. 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2008	¥ 7,098	\$ 60,153
2009 and thereafter	25,470	215,847
Total	¥32,568	\$276,000

b) Lessors' accounting

Future minimum lease income subsequent to March 31, 2007 for noncancelable operating leases are summarized as follows:

<i>Year ending Mar. 31,</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2008	¥382,028	\$3,237,525
2009 and thereafter	418,280	3,544,746
Total	¥800,308	\$6,782,271

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2007, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
As endorser of notes receivable discounted with banks	¥ 5,229	\$ 44,314
As guarantor of employees' housing loans from banks and others	211,585	1,793,093
	¥216,814	\$1,837,407

In addition to the above, at March 31, 2007, the Company was committed to provide guarantees of indebtedness of certain unconsolidated subsidiaries and affiliates in the aggregate amount of ¥1,064 million (\$9,017 thousand) at the request of the lending banks. The outstanding balance of installment receivables sold with recourse amounted to ¥6,076 million (\$51,492 thousand) at March 31, 2007.

Certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥229,767 million (\$1,947,178 thousand) with their customers and others. The loans receivable outstanding and the unused balances under these credit facilities at March 31, 2007 amounted to ¥63,039 million (\$534,229 thousand) and ¥166,728 million (\$1,412,949 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

	Yen			U.S. dollars
	For the years ended			2006
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2004 Mar. 31, 2005	Mar. 31, 2007
Net income:				
Basic	¥112.33	¥126.94	¥125.16	\$0.952
Diluted	111.71	125.96	124.01	0.947
Cash dividends applicable to the year	¥ 34.00	¥ 29.00	¥ 24.00	\$0.288

	Yen		U.S. dollars
	As of		2006
	2006 Mar. 31, 2007	2005 Mar. 31, 2006	Mar. 31, 2007
Net assets	¥862.29	¥753.40	\$7.308

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.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests (the amount of shareholders' equity in 2005) and the number 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, 2007 and 2006 is as follows:

Marketable held-to-maturity debt securities

Fiscal year 2006 (As of Mar. 31, 2007)	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 carrying value exceeds their fair value:						
Debt securities	¥294	¥294	¥ —	\$2,492	\$2,492	\$ —
Corporate bonds	59	59	—	500	500	—
Total	¥353	¥353	¥ —	\$2,992	\$2,992	\$ —

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:			
Corporate bonds	¥59	¥59	¥ —
Total	¥59	¥59	¥ —

Marketable other securities

Fiscal year 2006 (As of Mar. 31, 2007)	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	¥3,508	¥14,613	¥11,105	\$29,729	\$123,839	\$94,110
Others	2,704	2,751	47	22,915	23,314	399
Subtotal.....	¥6,212	¥17,364	¥11,152	\$52,644	\$147,153	\$94,509
Securities whose acquisition cost exceeds their carrying value:						
Stock.....	¥ 926	¥ 708	¥ (218)	\$ 7,847	\$ 6,000	\$ (1,847)
Debt securities.....	20	20	—	169	169	—
Others	1,869	1,868	(1)	15,840	15,831	(9)
Subtotal.....	¥2,815	¥ 2,596	¥ (219)	\$23,856	\$ 22,000	\$ (1,856)
Total.....	¥9,027	¥19,960	¥10,933	\$76,500	\$169,153	\$92,653

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock.....	¥4,646	¥29,549	¥24,903
Debt securities.....	19	20	1
Subtotal.....	¥4,665	¥29,569	¥24,904
Securities whose acquisition cost exceeds their carrying value:			
Stock.....	¥ 766	¥ 539	¥ (227)
Subtotal.....	¥ 766	¥ 539	¥ (227)
Total.....	¥5,431	¥30,108	¥24,677

b) Sales of securities classified as other securities and the aggregate gain and loss are summarized as follows:

	Millions of yen			Thousands of U.S. dollars	
	For the years ended	2006 Mar. 31, 2007	2005 Mar. 31, 2006	2006 Mar. 31, 2007	
Sales proceeds.....		¥25,700	¥6,156	¥2,032	\$217,797
Aggregate gain.....		11,996	305	1,225	101,661
Aggregate loss		—	(37)	(13)	—

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2007 is summarized as follows:

Fiscal year 2006 (As of Mar. 31, 2007)	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
Debt securities.....	¥314	¥ —	¥ —	¥ —
Corporate bonds	—	—	59	—
Total.....	¥314	¥ —	¥59	¥ —

Fiscal year 2006 (As of Mar. 31, 2007)	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
Debt securities.....	\$2,661	\$ —	\$ —	\$ —
Corporate bonds	—	—	500	—
Total.....	\$2,661	\$ —	\$500	\$ —

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 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 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, 2007 and 2006:

1) Currency-related transactions

Fiscal year 2006 (As of Mar. 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
Sell:						
USD	¥12,849	¥12,928	¥ (79)	\$108,890	\$109,559	\$ (669)
EUR	1,064	1,080	(16)	9,017	9,153	(136)
ZAR	695	694	1	5,890	5,881	9
GBP	22	22	0	186	186	0
Others	12	12	0	102	102	0
Buy:						
EUR	757	763	6	6,415	6,466	51
USD	3,483	3,477	(6)	29,517	29,466	(51)
Others	10	10	0	85	85	0
Currency swaps:						
EUR	¥59,657	¥ (269)	¥(269)	\$505,568	\$ (2,280)	\$(2,280)
USD	20,816	424	424	176,407	3,593	3,593
AUD	1,291	(29)	(29)	10,941	(246)	(246)
CAD	4,353	(42)	(42)	36,890	(356)	(356)
THB	25,513	(81)	(81)	216,212	(686)	(686)
Total	—	—	¥ (91)	—	—	\$ (771)

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts			
Sell:			
USD	¥ 8,326	¥ 8,523	¥ (197)
EUR	1,117	1,134	(17)
ZAR	668	717	(49)
GBP	9	9	—
Others	33	32	1
Buy:			
EUR	876	828	(48)
USD	3,078	3,082	4
Others	174	168	(6)
Currency swaps:			
EUR	¥105,906	¥ (253)	¥ (253)
GBP	16,771	(16)	(16)
USD	37,049	422	422
AUD	39,199	(605)	(605)
HKD	5,222	100	100
CAD	4,106	(1,120)	(1,120)
ZAR	2,450	(27)	(27)
Total	—	—	¥(1,811)

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 2006 (As of Mar. 31, 2007)	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	¥203,495	¥ 108	¥ 108	\$1,724,534	\$ 915	\$ 915
Receive/fixed and pay/floating	251,648	280	280	2,132,610	2,373	2,373
Options:						
Caps sold	¥460,851			\$3,905,517		
(Premium)	(—)	(1,558)	(1,558)	(—)	(13,203)	(13,203)
Caps purchased	460,851			3,905,517		
(Premium)	(—)	1,558	1,558	(—)	13,203	13,203
Total	—	—	¥ 388	—	—	\$ 3,288

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive/floating and pay/fixed	¥127,717	¥ 640	¥ 640
Receive/fixed and pay/floating	239,000	757	757
Options:			
Caps sold	¥515,208		
(Premium)	(—)	(5,823)	(5,823)
Caps purchased	515,208		
(Premium)	(—)	5,823	5,823
Total	—	—	¥ 1,397

Note: The notional amounts of the interest rate swaps and options presented above exclude those for which the deferral hedge accounting has been applied.

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 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 components. 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, 2007, 2006 and 2005 is as follows:

	Fiscal year 2006 (For the year ended Mar. 31, 2007)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
	<i>Millions of yen</i>				
I. Sales and operating income					
Sales to third parties.....	¥9,790,484	¥ 678,099	¥10,468,583	¥ —	¥10,468,583
Inter-segment sales and transfers.....	28,767	16,613	45,380	(45,380)	—
Total sales.....	9,819,251	694,712	10,513,963	(45,380)	10,468,583
Operating expenses.....	9,171,272	618,959	9,790,231	(98,587)	9,691,644
Operating income.....	¥ 647,979	¥ 75,753	¥ 723,732	¥ 53,207	¥ 776,939
II. Assets, depreciation, impairment loss and capital expenditures					
Total assets.....	¥7,910,116	¥5,910,380	¥13,820,496	¥(1,418,288)	¥12,402,208
Depreciation and amortization.....	¥ 447,924	¥ 323,299	¥ 771,223	¥ —	¥ 771,223
Impairment loss on fixed assets.....	¥ 22,673	¥ —	¥ 22,673	¥ —	¥ 22,673
Capital expenditures.....	¥ 578,363	¥ 925,841	¥ 1,504,204	¥ —	¥ 1,504,204

	Fiscal year 2006 (For the year ended Mar. 31, 2007)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
	<i>Thousands of U.S. dollars</i>				
I. Sales and operating income					
Sales to third parties.....	\$82,970,203	\$ 5,746,602	\$ 88,716,805	\$ —	\$ 88,716,805
Inter-segment sales and transfers.....	243,788	140,788	384,576	(384,576)	—
Total sales.....	83,213,991	5,887,390	89,101,381	(384,576)	88,716,805
Operating expenses.....	77,722,644	5,245,415	82,968,059	(835,483)	82,132,576
Operating income.....	\$ 5,491,347	\$ 641,975	\$ 6,133,322	\$ 450,907	\$ 6,584,229
II. Assets, depreciation, impairment loss and capital expenditures					
Total assets.....	\$67,034,881	\$50,087,966	\$117,122,847	\$(12,019,389)	\$105,103,458
Depreciation and amortization.....	\$ 3,795,966	\$ 2,739,822	\$ 6,535,788	\$ —	\$ 6,535,788
Impairment loss on fixed assets.....	\$ 192,144	\$ —	\$ 192,144	\$ —	\$ 192,144
Capital expenditures.....	\$ 4,901,382	\$ 7,846,110	\$ 12,747,492	\$ —	\$ 12,747,492

	Fiscal year 2005 (For the year ended Mar. 31, 2006)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
	<i>Millions of yen</i>				
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, impairment loss 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 2004 (For the year ended Mar. 31, 2005)				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
	<i>Millions of yen</i>				
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

- a) As described in Note 2 (b), 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" segment and "Sales Financing" segment, respectively, as of March 31, 2006 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.
- b) As described in Note 2 (c), effective April 1, 2006, the Company adopted a new accounting standard for share-based payment and related implementation guidance. The effect of this change was to decrease operating income of automobile segment by ¥1,037 million (\$8,788 thousand) for the year ended March 31, 2007.
- c) As described in Note 2 (e), effective the year ended March 31, 2007, 22 consolidated subsidiaries have been consolidated by using their financial statements as of the parent's fiscal year end prepared solely for consolidated purposes instead of those as of their respective fiscal year end. In addition, during fiscal year 2006, 33 consolidated subsidiaries have changed their fiscal year end to March 31. The effect of this change was to increase net sales of the automobile and sales financing segments and increase the elimination of inter-group net sales by ¥759,391 million (\$6,435,517 thousand), ¥9,586 million (\$81,237 thousand) and ¥1,371 million (\$11,618 thousand), respectively, for the year ended March 31, 2007. In addition, due to this change, operating income of the automobile, sales financing segments and the elimination of inter-group increased by ¥18,785 million (\$159,195 thousand), ¥1,796 million (\$15,220 thousand) and ¥862 million (\$7,305 thousand), respectively, for the year ended March 31, 2007.

The following tables set forth the summarized financial statements by business segment for the years ended Mar 31, 2007, 2006 and 2005. 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, Mexico and Thailand. 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

Fiscal year 2006 (As of Mar. 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Cash and cash equivalents.....	¥ 459,964	¥ 9,424	¥ 469,388	\$ 3,898,000	\$ 79,864	\$ 3,977,864
Short-term investments.....	16,610	182	16,792	140,763	1,542	142,305
Receivables, less allowance for doubtful receivables.....	437,415	3,702,844	4,140,259	3,706,907	31,380,034	35,086,941
Inventories.....	986,150	18,521	1,004,671	8,357,203	156,958	8,514,161
Other current assets.....	594,434	267,342	861,776	5,037,576	2,265,611	7,303,187
Total current assets.....	2,494,573	3,998,313	6,492,886	21,140,449	33,884,009	55,024,458
Property, plant and equipment, net.....	3,097,369	1,779,819	4,877,188	26,248,890	15,083,212	41,332,102
Investment securities.....	384,337	1,875	386,212	3,257,093	15,890	3,272,983
Other assets.....	515,549	130,373	645,922	4,369,060	1,104,855	5,473,915
Total assets.....	¥6,491,828	¥5,910,380	¥12,402,208	\$55,015,492	\$50,087,966	\$105,103,458
Short-term borrowings and current portion of long-term debt.....	¥ (245,284)	¥3,393,116	¥ 3,147,832	\$(2,078,678)	\$28,755,220	\$26,676,542
Notes and accounts payable.....	1,637,666	54,857	1,692,523	13,878,525	464,890	14,343,415
Accrued income taxes.....	51,588	20,277	71,865	437,186	171,839	609,025
Other current liabilities.....	575,215	87,884	663,099	4,874,704	744,780	5,619,484
Total current liabilities.....	2,019,185	3,556,134	5,575,319	17,111,737	30,136,729	47,248,466
Long-term debt.....	448,692	1,507,969	1,956,661	3,802,475	12,779,398	16,581,873
Other long-term liabilities.....	612,435	380,799	993,234	5,190,128	3,227,110	8,417,238
Total long-term liabilities.....	1,061,127	1,888,768	2,949,895	8,992,603	16,006,508	24,999,111
Total liabilities.....	3,080,312	5,444,902	8,525,214	26,104,340	46,143,237	72,247,577
Common stock.....	513,167	92,647	605,814	4,348,873	785,144	5,134,017
Capital surplus.....	773,623	30,847	804,470	6,556,127	261,415	6,817,542
Retained earnings.....	2,092,036	310,690	2,402,726	17,729,119	2,632,966	20,362,085
Treasury stock.....	(226,394)	—	(226,394)	(1,918,593)	—	(1,918,593)
Total shareholders' equity.....	3,152,432	434,184	3,586,616	26,715,526	3,679,525	30,395,051
Valuation, translation adjustment and others.....	(69,979)	28,600	(41,379)	(593,043)	242,373	(350,670)
Share Subscription Rights.....	2,711	—	2,711	22,975	—	22,975
Minority interests.....	326,352	2,694	329,046	2,765,694	22,831	2,788,525
Total net assets.....	3,411,516	465,478	3,876,994	28,911,152	3,944,729	32,855,881
Total liabilities and net assets.....	¥6,491,828	¥5,910,380	¥12,402,208	\$55,015,492	\$50,087,966	\$105,103,458

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Cash and cash equivalents.....	¥ 392,505	¥ 11,707	¥ 404,212
Short-term investments.....	22,051	98	22,149
Receivables, less allowance for doubtful receivables.....	228,405	3,761,343	3,989,748
Inventories.....	847,243	9,256	856,499
Other current assets.....	481,236	268,410	749,646
Total current assets.....	1,971,440	4,050,814	6,022,254
Property, plant and equipment, net.....	2,926,753	1,512,055	4,438,808
Investment securities.....	401,520	1,866	403,386
Other assets.....	471,474	145,504	616,978
Total assets.....	¥5,771,187	¥5,710,239	¥11,481,426
Short-term borrowings and current portion of long-term debt.....	¥ (608,176)	¥3,200,465	¥ 2,592,289
Notes and accounts payable.....	1,482,002	50,318	1,532,320
Accrued income taxes.....	90,428	15,559	105,987
Other current liabilities.....	539,351	81,762	621,113
Total current liabilities.....	1,503,605	3,348,104	4,851,709
Long-term debt.....	627,788	1,597,815	2,225,603
Other long-term liabilities.....	677,426	352,812	1,030,238
Total long-term liabilities.....	1,305,214	1,950,627	3,255,841
Total liabilities.....	2,808,819	5,298,731	8,107,550
Minority interests.....	284,062	1,831	285,893
Common stock.....	514,489	91,325	605,814
Capital surplus.....	773,623	30,847	804,470
Retained earnings.....	1,855,971	260,854	2,116,825
Unrealized holding gain on securities.....	14,156	184	14,340
Translation adjustments.....	(230,780)	26,467	(204,313)
Treasury stock.....	(249,153)	—	(249,153)
Total shareholders' equity.....	2,678,306	409,677	3,087,983
Total liabilities and shareholders' equity.....	¥5,771,187	¥5,710,239	¥11,481,426

(Interest-bearing debt)

Fiscal year 2006 (As of Mar. 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Short-term borrowings from third parties	¥ 693,500	¥2,403,911	¥3,097,411	\$ 5,877,119	\$20,372,127	\$26,249,246
Internal loans to sales financing companies	(988,603)	988,603	—	(8,377,992)	8,377,992	—
Short-term borrowings per the balance sheet	(295,103)	3,392,514	3,097,411	(2,500,873)	28,750,119	26,249,246
Bonds and debentures	349,689	380,018	729,707	2,963,466	3,220,492	6,183,958
Long-term borrowings from third parties	65,168	1,102,646	1,167,814	552,271	9,344,457	9,896,728
Internal loans to sales financing companies	(25,305)	25,305	—	(214,449)	214,449	—
Long-term borrowings per the balance sheet	39,863	1,127,951	1,167,814	337,822	9,558,906	9,896,728
Lease obligations	108,959	602	109,561	923,381	5,102	928,483
Internal Loans from Sales Financing	1,918	(1,918)	—	16,255	(16,255)	—
Total interest-bearing debt	205,326	4,899,167	5,104,493	1,740,051	41,518,364	43,258,415
Cash and cash equivalents	459,964	9,424	469,388	3,898,000	79,864	3,977,864
Net interest-bearing debt (net cash and cash equivalents)	(254,638)	4,889,743	4,635,105	(2,157,949)	41,438,500	39,280,551
Debt for Canton Plant included in the above	94,861	—	94,861	803,907	—	803,907
Lease obligation included in the above	108,959	602	109,561	923,381	5,102	928,483
Net interest-bearing debt (net cash and cash equivalents) (excluding that related to Canton Plant and lease obligations)	¥(458,458)	¥4,889,141	¥4,430,683	\$(3,885,237)	\$41,433,398	\$37,548,161

Fiscal year 2005 (As of Mar. 31, 2006)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Short-term borrowings from third parties	¥ 302,471	¥2,231,295	¥2,533,766
Internal loans to sales financing companies	(968,451)	968,451	—
Short-term borrowings per the balance sheet	(665,980)	3,199,746	2,533,766
Bonds and debentures	381,346	326,861	708,207
Long-term borrowings from third parties	174,734	1,270,954	1,445,688
Internal loans to sales financing companies	—	—	—
Long-term borrowings per the balance sheet	174,734	1,270,954	1,445,688
Lease obligations	129,512	719	130,231
Total interest-bearing debt	19,612	4,798,280	4,817,892
Cash and cash equivalents	392,505	11,707	404,212
Net interest-bearing debt (net cash and cash equivalents)	(372,893)	4,786,573	4,413,680
Debt for Canton Plant included above	98,500	—	98,500
Lease obligations included above	129,512	719	130,231
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

2) Summarized consolidated statements of income by business segment

Fiscal year 2006 (For the year ended Mar. 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Net sales.....	¥9,773,871	¥694,712	¥10,468,583	\$82,829,415	\$5,887,390	\$88,716,805
Cost of sales.....	7,498,350	528,836	8,027,186	63,545,339	4,481,661	68,027,000
Gross profit.....	2,275,521	165,876	2,441,397	19,284,076	1,405,729	20,689,805
Operating income.....	701,186	75,753	776,939	5,942,254	641,975	6,584,229
Operating income as a percentage of net sales.....	7.2%	10.9%	7.4%	7.2%	10.9%	7.4%
Net financial cost.....	(5,664)	546	(5,118)	(48,000)	4,627	(43,373)
Income before income taxes and minority interests.....	621,236	76,196	697,432	5,264,712	645,729	5,910,441
Net income.....	¥ 413,529	¥ 47,267	¥ 460,796	\$ 3,504,483	\$ 400,568	\$ 3,905,051
Total net financial cost.....	¥ (5,664)	¥ 546	¥ (5,118)	\$ (48,000)	\$ 4,627	\$ (43,373)
Interest on lease obligations.....	(3,323)	(13)	(3,336)	(28,161)	(110)	(28,271)
Intersegment eliminations.....	(55,569)	—	(55,569)	(470,924)	—	(470,924)
Net financial cost for segment.....	53,228	559	53,787	451,085	4,737	455,822

Fiscal year 2005 (For the year ended Mar. 31, 2006)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Net sales.....	¥8,880,349	¥547,943	¥9,428,292
Cost of sales.....	6,649,937	391,050	7,040,987
Gross profit.....	2,230,412	156,893	2,387,305
Operating income.....	802,116	69,725	871,841
Operating income as a percentage of net sales.....	9.0%	12.7%	9.2%
Net financial cost.....	(4,555)	(11)	(4,566)
Income before income taxes and minority interests.....	739,962	69,079	809,041
Net income.....	¥ 476,688	¥ 41,362	¥ 518,050
Total net financial cost.....	¥ (4,555)	¥ (11)	¥ (4,566)
Interest on lease obligations.....	(3,952)	(16)	(3,968)
Intersegment eliminations.....	(37,507)	—	(37,507)
Net financial cost for segment.....	36,904	5	36,909

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

3) Summarized consolidated statements of cash flows by business segment

Fiscal year 2006 (For the year ended Mar. 31, 2007)	Millions of yen			Thousands of U.S. dollars		
	Automobile and Eliminations	Sales Financing	Consolidated total	Automobile and Eliminations	Sales Financing	Consolidated total
Operating activities						
Income before income taxes and minority interests.....	¥621,236	¥ 76,196	¥ 697,432	\$5,264,712	\$ 645,729	\$5,910,441
Depreciation and amortization.....	447,924	323,299	771,223	3,795,966	2,739,822	6,535,788
Increase (decrease) in finance receivables....	(22,914)	67,255	44,341	(194,187)	569,958	375,771
Others	(528,386)	58,217	(470,169)	(4,477,847)	493,364	(3,984,483)
Net cash provided by operating activities.....	517,860	524,967	1,042,827	4,388,644	4,448,873	8,837,517
Investing activities						
Proceeds from sales of investment securities including shares of subsidiaries.....	37,794	—	37,794	320,288	—	320,288
Proceeds from sales of property, plant and equipment.....	72,308	0	72,308	612,780	0	612,780
Purchases of fixed assets	(537,129)	(9,719)	(546,848)	(4,551,941)	(82,364)	(4,634,305)
Purchases of leased vehicles.....	(41,234)	(916,122)	(957,356)	(349,440)	(7,763,746)	(8,113,186)
Proceeds from sales of leased vehicles.....	7,253	297,659	304,912	61,466	2,522,534	2,584,000
Others	(35,804)	10,407	(25,397)	(303,425)	88,195	(215,230)
Net cash used in investing activities.....	(496,812)	(617,775)	(1,114,587)	(4,210,272)	(5,235,381)	(9,445,653)
Financing activities						
Increase in short-term borrowings.....	418,824	73,714	492,538	3,549,356	624,695	4,174,051
Decrease or redemption of long-term debt....	(215,299)	(107,770)	(323,069)	(1,824,568)	(913,305)	(2,737,873)
Increase in bonds and debentures.....	—	123,730	123,730	—	1,048,559	1,048,559
Others	(186,460)	173	(186,287)	(1,580,169)	1,466	(1,578,703)
Net cash provided by financing activities.....	17,065	89,847	106,912	144,619	761,415	906,034
Effect of exchange rate changes on cash and cash equivalents.....	16,775	(135)	16,640	142,161	(1,144)	141,017
Increase (Decrease) in cash and cash equivalents.....	54,888	(3,096)	51,792	465,152	(26,237)	438,915
Cash and cash equivalents at beginning of year.....	392,505	11,707	404,212	3,326,314	99,211	3,425,525
Increase due to inclusion in consolidation.....	12,571	813	13,384	106,534	6,890	113,424
Cash and cash equivalents at end of year.....	¥459,964	¥ 9,424	¥ 469,388	\$3,898,000	\$ 79,864	\$3,977,864

Fiscal year 2005 (For the year ended Mar. 31, 2006)	Millions of yen		
	Automobile and Eliminations	Sales Financing	Consolidated total
Operating activities			
Income before income taxes and minority interests.....	¥739,962	¥ 69,079	¥ 809,041
Depreciation and amortization.....	400,787	254,615	655,402
(Increase) decrease in finance receivables.....	19,341	(331,026)	(311,685)
Others.....	(468,999)	74,110	(394,889)
Net cash provided by operating activities.....	691,091	66,778	757,869
Investing activities			
Proceeds from sales of investment securities including shares of subsidiaries.....	50,765	—	50,765
Proceeds from sales of property, plant and equipment.....	55,789	1	55,790
Purchases of fixed assets.....	(456,550)	(14,479)	(471,029)
Purchases of leased vehicles.....	(47,366)	(905,919)	(953,285)
Proceeds from sales of leased vehicles.....	37,523	226,601	264,124
Others.....	(59,951)	831	(59,120)
Net cash used in investing activities.....	(419,790)	(692,965)	(1,112,755)
Financing activities			
Increase in short-term borrowings.....	16,565	359,483	376,048
(Decrease) increase or redemption of long-term debt.....	(228,985)	102,227	(126,758)
Increase in bonds and debentures.....	227,386	163,320	390,706
Others.....	(183,960)	1,883	(182,077)
Net cash provided by (used in) financing activities.....	(168,994)	626,913	457,919
Effect of exchange rate changes on cash and cash equivalents.....	10,016	1,373	11,389
Increase in cash and cash equivalents.....	112,323	2,099	114,422
Cash and cash equivalents at beginning of year.....	280,176	9,608	289,784
Increase due to inclusion in consolidation.....	6	—	6
Cash and cash equivalents at end of year.....	¥392,505	¥ 11,707	¥ 404,212

Fiscal year 2004 (For the year ended Mar. 31, 2005)	Millions of yen		
	Automobile and Eliminations	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 finance receivables	17,131	(811,480)	(794,349)
Others	(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
Others	(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 or redemption of long-term debt.....	(391,244)	296,551	(94,693)
Increase in bonds and debentures.....	—	140,663	140,663
Others	(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

Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005 is summarized as follows:

Fiscal year 2006 (For the year ended Mar. 31, 2007)

	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
<i>Millions of yen</i>							
Sales to third parties	¥2,478,549	¥4,550,498	¥2,038,026	¥1,401,510	¥10,468,583	¥ —	¥10,468,583
Inter-area sales and transfers	2,205,469	138,945	128,388	27,528	2,500,330	(2,500,330)	—
Total sales	4,684,018	4,689,443	2,166,414	1,429,038	12,968,913	(2,500,330)	10,468,583
Operating expenses	4,411,824	4,329,427	2,084,112	1,370,801	12,196,164	(2,504,520)	9,691,644
Operating income	¥ 272,194	¥ 360,016	¥ 82,302	¥ 58,237	¥ 772,749	¥ 4,190	¥ 776,939
Total assets	¥6,031,316	¥6,085,485	¥1,482,333	¥1,070,801	¥14,669,935	¥(2,267,727)	¥12,402,208

Thousands of U.S. dollars

Sales to third parties	\$21,004,653	\$38,563,542	\$17,271,407	\$11,877,203	\$ 88,716,805	\$ —	\$ 88,716,805
Inter-area sales and transfers	18,690,415	1,177,500	1,088,034	233,288	21,189,237	(21,189,237)	—
Total sales	39,695,068	39,741,042	18,359,441	12,110,491	109,906,042	(21,189,237)	88,716,805
Operating expenses	37,388,339	36,690,059	17,661,966	11,616,958	103,357,322	(21,224,746)	82,132,576
Operating income	\$ 2,306,729	\$ 3,050,983	\$ 697,475	\$ 493,533	\$ 6,548,720	\$ 35,509	\$ 6,584,229
Total assets	\$51,112,847	\$51,571,907	\$12,562,144	\$ 9,074,585	\$124,321,483	\$(19,218,025)	\$105,103,458

Fiscal year 2005 (For the year ended Mar. 31, 2006)

	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
<i>Millions of yen</i>							
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

Fiscal year 2004 (For the year ended Mar. 31, 2005)

	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
<i>Millions of yen</i>							
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

- a) As described in Note 2 (b), 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 as of March 31, 2006 as compared with the corresponding amounts which would have been recorded if the previous method had been followed.
- b) As described in Note 2 (c), effective April 1, 2006, the Company adopted a new accounting standard for share-based payment and related implementation guidance. The effect of this change was to decrease operating income of Japan segment by ¥1,037 million (\$8,788 thousand) for the year ended March 31, 2007.
- c) As described in Note 2 (e), effective the year ended March 31, 2007, 22 consolidated subsidiaries have been consolidated by using their financial statements as of the parent's fiscal year end prepared solely for consolidated purposes instead of those as of their respective fiscal year end. In addition, during fiscal year 2006, 33 consolidated subsidiaries have changed their fiscal year end to March 31. The effect of this change was to increase net sales of the Japan, North America, Europe segment and Other segments and increase the elimination of inter-group net sales by ¥62,479 million (\$529,483 thousand), ¥219,878 million (\$1,863,373 thousand), ¥454,769 million (\$3,853,975 thousand), ¥87,087 million (\$738,025 thousand) and ¥56,607 million (\$479,720 thousand), respectively, for the year ended March 31, 2007. In addition, because of this change, operating income of the Japan, North America, Europe and Other segments increased by ¥1,586 million (\$13,441 thousand), ¥21,403 million (\$181,381 thousand), ¥2,744 million (\$23,254 thousand) and ¥210 million (\$1,780 thousand), respectively, and operating income of inter-group elimination decreased by ¥4,500 million (\$38,136 thousand) for the year ended March 31, 2007.

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, 2007, 2006 and 2005 are summarized as follows:

	Fiscal year 2006 (For the year ended Mar. 31, 2007)			
	North America	Europe	Other foreign countries	Total
	<i>Millions of yen</i>			
Overseas sales.....	¥4,410,531	¥2,023,772	¥1,829,617	¥ 8,263,920
Consolidated net sales.....				10,468,583
	<i>Thousands of U.S. dollars</i>			
Overseas sales.....	\$37,377,381	\$17,150,610	\$15,505,229	\$70,033,220
Consolidated net sales.....				88,716,805
Overseas sales as a percentage of consolidated net sales.....	42.1%	19.3%	17.5%	78.9%
	Fiscal year 2005 (For the year ended Mar. 31, 2006)			
	North America	Europe	Other foreign countries	Total
	<i>Millions of yen</i>			
Overseas sales.....	¥4,014,475	¥1,414,929	¥1,655,630	¥7,085,034
Consolidated net sales.....				9,428,292
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
	<i>Millions of yen</i>			
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%

- a) As described in Note 2 (e), effective the year ended March 31, 2007, 22 consolidated subsidiaries have been consolidated by using their financial statements as of the parent's fiscal year end prepared solely for consolidated purposes instead of those as of their respective fiscal year end, and 33 consolidated subsidiaries have also changed their fiscal year end to March 31. The effect of this change was to increase overseas sales of North America by ¥177,178 million (\$1,501,508 thousand), Europe by ¥402,598 million (\$3,411,847 thousand) and other foreign countries by ¥138,990 million (\$1,177,881 thousand).

22. SUBSEQUENT EVENT

The Company issued the following bonds in yen without collateral for working capital on June 19, 2007:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
1.76% bonds in yen due 2012.....	¥65,000	\$550,847
1.95% bonds in yen due 2014.....	35,000	296,610