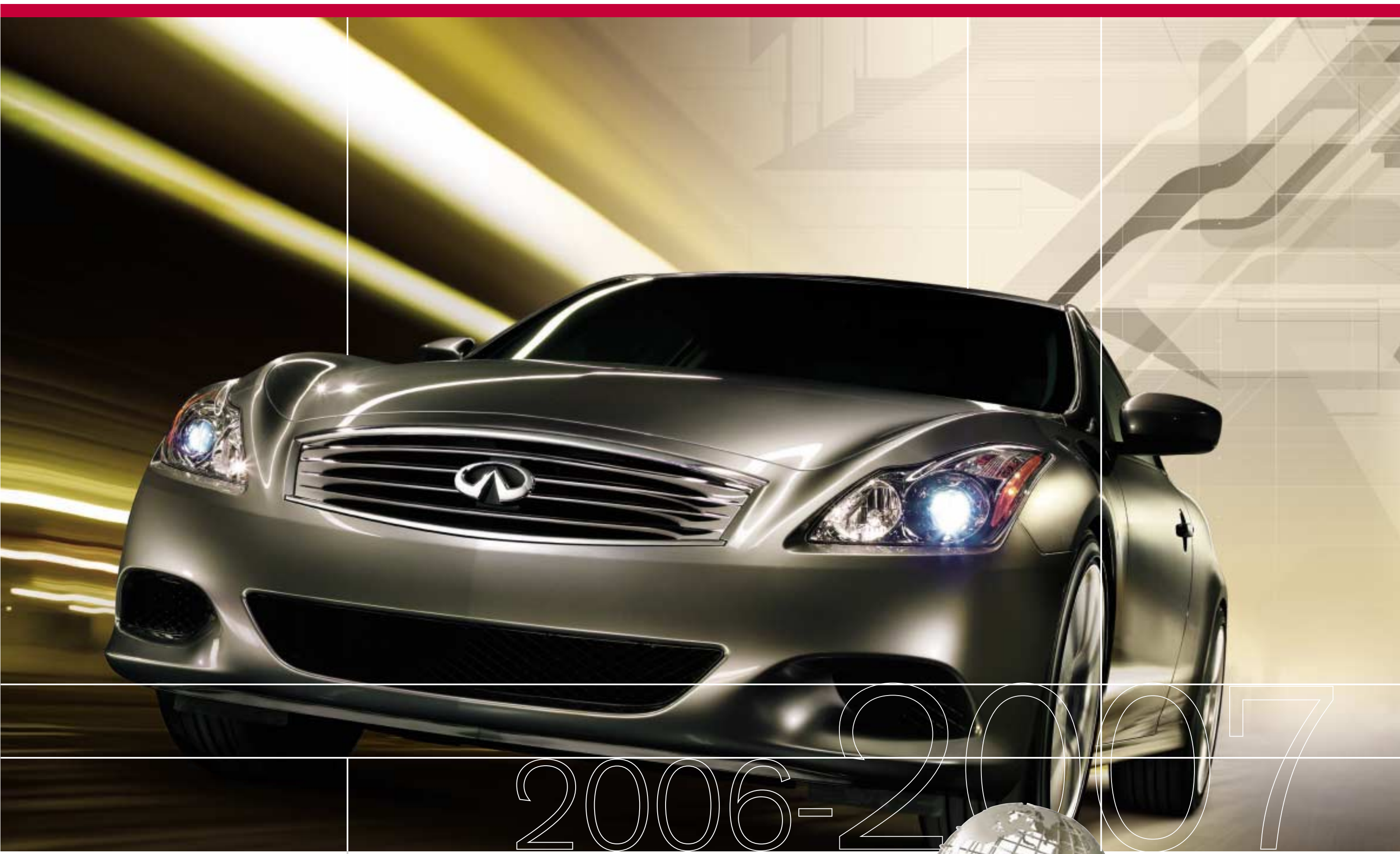


2006-2007

# Annual Report 2007

Year Ended March 31, 2007

Nissan: Enriching People's Lives

NISSAN
MOTOR COMPANY

Contents



This annual report contains forward-looking statements on Nissan's future plans and targets, and related operating investment, product planning and production targets. Please note that there can be no assurance that these targets and plans will actually be achieved. Achieving them will depend on many factors, including not only Nissan's activities and development, but on the dynamics of the automobile industry worldwide and the global economy.

# Vision

**Nissan: Enriching People's Lives**

# Mission

**Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders* in alliance with Renault.**

*Our stakeholders include customers, shareholders, employees, dealers, suppliers, as well as the communities where we work and operate.

This annual report presents financial results for the fiscal period ending March 31, 2007. The report also provides shareholders with insights into Nissan's management team. Through one-on-one interviews, various members of executive management, including President and Chief Executive Officer, Carlos Ghosn, discuss the philosophy and direction of Nissan.

**Reports**

| Sustainability Report |
| --- |
| http: //www.nissan-global.com/EN/ COMPANY/CSR/LIBRARY/SR/ |

| Annual Report |
| --- |
| http: //www.nissan-global.com/EN/ IR/LIBRARY/AR/ |

| Profile |
| --- |
| http: //www.nissan-global.com/EN/ IR/LIBRARY/PROFILE/ |

**Our Websites**

Corporate Information
http://www.nissan-global.com/EN/COMPANY/
IR Information
http://www.nissan-global.com/EN/IR/
Product Information (by Country)
http://www.nissan-global.com/EN/GLOBAL/
Product Information (Japan)
http://www.nissan.co.jp/
Environmental Activities
http: //www.nissan-global.com/EN/ENVIRONMENT/
Corporate Citizenship Activities
http://www.nissan-global.com/EN/CITIZENSHIP/
Quality Initiatives
http://www.nissan-global.com/EN/QUALITY/
Safety Activities
http://www.nissan-global.com/EN/SAFETY/
Latest Technologies
http://www.nissan-global.com/EN/TECHNOLOGY/
Design Activities
http://www.nissan-global.com/EN/DESIGN/

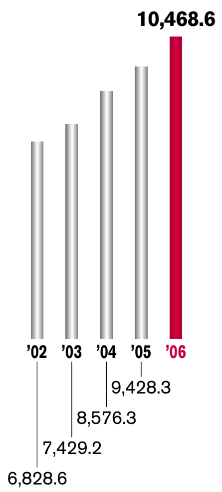
# FINANCIAL HIGHLIGHTS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal years 2006, 2005, 2004, 2003 and 2002*

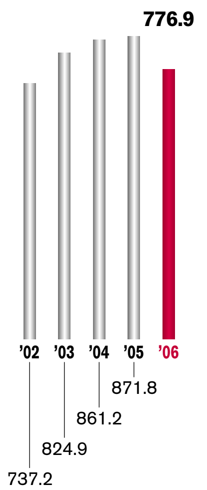
| | *Millions of yen (except per share amounts and number of employees)* | | | | | *Millions of U.S. dollars (Note 1) (except per share amounts)* |
|---|---|---|---|---|---|---|
| *For the years ended* | **2006** ***Mar. 31, 2007*** | 2005 *Mar. 31, 2006* | 2004 *Mar. 31, 2005* | 2003 *Mar. 31, 2004* | 2002 *Mar. 31, 2003* | **2006** ***Mar. 31, 2007*** |
| Net sales | **¥10,468,583** | ¥ 9,428,292 | ¥8,576,277 | ¥7,429,219 | ¥6,828,588 | **$ 88,717** |
| Operating income | **776,939** | 871,841 | 861,160 | 824,855 | 737,230 | **6,584** |
| Net income | **460,796** | 518,050 | 512,281 | 503,667 | 495,165 | **3,905** |
| Net income per share (Note 2) | **112.33** | 126.94 | 125.16 | 122.02 | 117.75 | **0.95** |
| Cash dividends paid (Note 3) | **131,064** | 105,661 | 94,236 | 74,594 | 50,800 | **1,111** |
| Net assets (Note 4) | **¥ 3,876,994** | — | — | — | — | **$ 32,856** |
| Shareholders' equity (Note 4) | **—** | ¥ 3,087,983 | ¥2,465,750 | ¥2,023,994 | ¥1,808,304 | **—** |
| Total assets | **12,402,208** | 11,481,426 | 9,848,523 | 7,859,856 | 7,349,183 | **105,103** |
| Net automotive interest-bearing debt (Note 5) | **(254,638)** | (372,893) | (205,791) | 13,603 | 107,952 | **(2,158)** |
| Employees | **186,336** | 183,356 | 183,607 | 123,748 | 127,625 | |

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥118= $1, the approximate exchange rate on March 31, 2007.
2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2007: 4,520,715,112.
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.
4. Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet and related implementation guidance. Under the new accounting standard, net assets represent aggregate of previous shareholders' equity, share subscription rights and minority interests.
5. Net automotive interest-bearing debt is calculated by subtracting cash and cash equivalents from interest-bearing debt in the automotive automobile and eliminations segment. Negative figure represents that the ending balance of cash and cash equivalents exceeds that of interest-bearing debt.

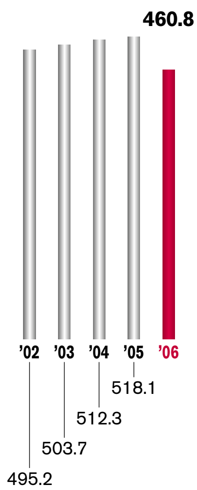
**Net Sales**
*(Billion Yen)*




**Operating Income**
*(Billion Yen)*




**Net Income**
*(Billion Yen)*



The sole purpose of a public company is to create growing sustainable value. At Nissan, we are totally focused on this purpose.

However, for the first time in eight years, we missed our performance objectives in fiscal 2006. As a result, we have extended the delivery period for all Nissan Value-Up commitments by one year.

The stock market recognized this shortfall and our share price mirrored our performance. However, we believe we are well below our potential.

## Fiscal 2006

This past year, all the headwinds we anticipated materialized and were more severe than expected. This happened the lowest point of our product cycle. Although we successfully launched new models, such as the Altima and G35, they were introduced late in the fiscal year and did not lead to overall annual volume growth. And the sales decline in our existing models offset these successful launches. In addition, our short-term profit potential was offset by our heavy investments for the future.

In order to re-boost our profitability, we have implemented several measures in Japan, U.S., Europe, and South Africa to address various issues including production capacity, dealer networks, and human resources. Yet, it is important to understand how our situation today is different from 1999, when Nissan underwent a major recovery. Today, we are fine-tuning our operations in order to boost our performance.

## Progress toward long-term value creation

Addressing our short-term issues is important, but we also believe it is important to achieve long-term profitable growth that is measurable in the context of a solid long-term plan.

In our long-term planning, the priority is to maximize free cash flow. The key drivers will be top-line growth, profitability, future investment and economies of scale through the Alliance. We have made significant progress in each area as shown below.

The first driver of top-line growth will come from our future product pipeline and geographical expansion.

Once we complete the 28 model launches for Nissan Value-Up this year, we will introduce over 33 new products during the next three years. As we embark on this product offensive, we are focused on “smoothing out” the product-launch cadence in order to avoid a new-product drought, such as those we experienced in 2005 and 2006. This should reduce the likelihood of profit fluctuations and increase the possibility for sustainable growth.

Regarding geographical expansion, one of our breakthroughs under Nissan-Value Up, we have successfully expanded our geographic presence in emerging markets as evidenced by the recent partnership with Renault and Mahindra in India. We expect significant growth in these markets.

Infiniti, another breakthrough, has also been successful in accelerating its geographical expansion. After its introduction in Korea in 2005 and Russia in 2006, Infiniti will enter the Chinese and Ukrainian markets in 2007 and during 2008 extend across Western Europe.

Top-line growth must be achieved with profitability. Growing volumes without an appropriate contribution to profit does not make good business sense. Profit is also key to maximizing cash flow. In this regard, brand and product value are crucial. Several third-party non-financial leading indicators have exhibited our improvement in brand and product value.

J. D. Power and Associates APEAL Study in the U.S. measures owner delight with the design, content, layout and performance of their new vehicles. In the 2006 survey, Nissan and Infiniti were

the segment leaders in five out of nineteen categories. Nissan has three segment-leading models, more vehicles than any other brand; Murano, Titan, and Armada. The Infiniti QX56 and M ranked at the top of their respective segments.

In a recent text, Consumer Reports, an influential magazine for new car buyers in the U.S., ranked our new Altima near the top, as it tied for the number-one vehicle in the family sedan segment. And in Consumer Reports' "Ten best cars in America," Infiniti's G35 and M were both recognized as the top picks for safety and reliability in their respective categories.

Although improvement in these indicators is not immediately reflected in our financial results, this is an engine of our profitable growth for the future. There is a direct correlation between customer satisfaction and profits.

But sustaining profits means preparing for the future today. We are investing massively, especially in R&D. Since 1999, our annual R&D expenditures have doubled and will come to nearly ¥500 billion in fiscal 2007. And through the Alliance, we now have extensive collaboration with Renault's R&D.

Our most urgent technical challenge today is to meet society's environmental expectations. That's why 40 percent of our budget for advanced engineering is devoted to the Nissan Green Program 2010, our five-year environmental blueprint.

For our industry, environmental sustainability represents the biggest engineering challenge. And no matter what you may hear or read, there is no silver bullet and no quick fix. In this race, the finish line is nowhere in sight. So along with Renault, we are pursuing every possible avenue of environmental progress – from hybrids to fuel-cells to electric and clean diesels.

In April, we announced that Nissan will introduce a clean-diesel passenger car for all fifty states in the U.S. in 2010. We will launch a Nissan Maxima powered by a clean-diesel engine co-developed by Nissan and Renault.

A focused technology strategy will once again be a pillar of Nissan's competitive strength and the core of our brand identity.

Our alliance with Renault, the last driver of profitable growth, is another pillar of future strength. This model is unique and although not widely understood, its effectiveness is unparalleled in the automotive industry.

Together, we now rank fourth in sales volume and second in total profitability in the global industry. We share platforms, technologies and best practices in order to improve our investment efficiency. And we continue to achieve greater purchasing synergies each year.

Our collaboration in R&D allows us to cover every potential avenue of environmental progress. Together, we advance on all fronts.

As for purchasing, the Alliance has supported our breakthrough to develop new supply sources in "Leading Competitive Countries," especially in Eastern Europe. We will also accelerate progress in India with the Alliance.

There are still more areas of cooperation that have yet to be realized.

## Outlook

In fiscal year 2007, we will launch 11 new products globally. The most important of these introductions will be the five models for the U.S. We will launch an all-new version of the Altima coupe, an all-new version of the Infiniti G37 coupe, the all-new compact crossover Rogue, the new compact luxury crossover Infiniti EX, and an all-new version of the Murano. Although we will again face a challenging environment, I believe that we will get back on track in terms of profit growth with these new models.

## Long-term value creation

Despite our commitment to long-term value creation, in recent years, our market-adjusted total return to shareholders has been negative. In addition, our key valuation multiples, including PER, have been lower than our main competitors. Of course, multiples are only rough estimates and the differences may be attributed to various factors, including accounting differences. However, given the size of this gap to our competitors, it's obvious that the market is discounting the value of Nissan.

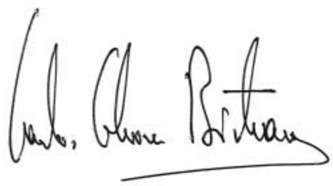
Based on our analysis, a significant part of this gap is due to investor perceptions regarding our long-term performance. To a lesser extent, our recent short-term performance has also contributed to this gap. Since the two perceptions are strongly interrelated, our weak short-term performance has negatively influenced perceptions regarding the viability of our long-term performance.

In order to close this gap, we must first deliver strong short-term results. And we must do this without being short-term oriented because the market always rewards companies that perform over the long-term. When we can demonstrate strong short-term performance, the long-term performance perceptions should improve. What will close it is consistently delivering strong short-term results.

Of course, we will not stop there. We will further improve perceptions of our long-term potential via transparent investor communications. After we successfully put ourselves on a solid track of profitable growth, investors' desires for more transparency increased significantly. They want to know more about our future strategy and vision and have a better understanding of how we will deliver our plans.

Performance and transparency make for credibility and that is what it takes to convince the market of our future potential. In this uncertain business environment, a company is required to not only consistently deliver strong performance, but also communicate to the market in a transparent manner.

A company cannot completely avoid all the ups and downs in its performance. But it should learn from past mistakes and never make them twice; this behavior is part of Nissan's DNA. We are committed to gaining the trust of the market and delivering superior performance.



Carlos Ghosn
President and Chief Executive Officer

# EXECUTIVES


Carlos Ghosn


Toshiyuki Shiga


Itaru Koeda


Hiroto Saikawa


Mitsuhiko Yamashita


Carlos Tavares


Hidetoshi Imazu


Junichi Endo


Colin Dodge

EXECUTIVE COMMITTEE MEMBERS

## BOARD OF DIRECTORS AND AUDITORS

**Representative Board Members**

**Carlos Ghosn**
President and Co-Chairman

**Itaru Koeda**
Co-Chairman

**Toshiyuki Shiga**

**Board Members**

**Hiroto Saikawa**
**Mitsuhiko Yamashita**
**Carlos Tavares**
**Hidetoshi Imazu**
**Tadao Takahashi**
**Shemaya Lévy**
**Patrick Pélata**

**Auditors**

**Hisayoshi Kojima**
**Takeo Otsubo**
**Toshiyuki Nakamura**
**Haruo Murakami**

## EXECUTIVE COMMITTEE MEMBERS

**Carlos Ghosn**
**Toshiyuki Shiga**
**Itaru Koeda**
**Hiroto Saikawa**
**Mitsuhiko Yamashita**
**Carlos Tavares**
**Hidetoshi Imazu**
**Junichi Endo**
**Colin Dodge**

(As of June 20, 2007)

# A Robust and Fruitful Alliance

The targets outlined in the Nissan Value-Up plan for sustainable growth would be far harder to achieve without the close and continuing cooperation of our Alliance partner, Renault. With CEO Carlos Ghosn leading the executive committees of both companies, the Alliance has become an even greater source of global insight and solutions.

A distillation of best practices from two companies is much more potent than what one alone can produce. The Alliance board meets regularly to develop strategy and to share perspectives on major industry issues and opportunities.

Because its scope remains open and flexible, the Alliance has generated a wide spectrum of projects and initiatives. For example, one core benefit of the Alliance is the capacity to carry out in-depth benchmarking that would not be possible with a third party. Nissan and Renault's joint transparency policy encourages such disclosures, giving us the advantage of a dual angle on problems and their potential solutions.

The Alliance presents opportunities in engineering as well. We have collaborated on powertrain development, for example, giving both Renault and Nissan the chance to refine a fundamental component of the carmaking craft. Across functions and borders, our engineers are inspiring each other to devise the vehicles of the future.

Further optimization of the Alliance in areas such as distribution and shared production capacity lowers cost and risk—factors that will help us expand faster in the largely untapped General Overseas Markets (GOM). Where one partner has a presence and the other does not, the support and market knowledge is there to be shared. For a totally new market or segment, we discuss the best way to enter. Two recent examples of Alliance cooperation are:

- New diesel engines with market-changing potential. One is the M1D, a 2.0-liter common-rail diesel that began rolling out across the Renault and Nissan ranges in 2006. Another is an all-new clean diesel engine that will debut in the United States in 2010 in the Nissan Maxima. This engine, part of a concerted effort to reduce $CO_2$ emissions and dependence on pure petroleum-based fuels, will clear stringent U.S. Environmental Protection Agency emissions requirements.
- In July 2007, Nissan Mexicana introduced a new vehicle to the Mexican market called the Aprio. This car is a variation of the Renault Logan already being marketed in more than fifty countries under the Renault and Dacia brands. The Aprio is built at the Renault manufacturing plant in Curitiba, Brazil, and is the most recent example of the robust collaboration between Renault and Nissan.

To make the Alliance thrive, Nissan and Renault concentrate solely on opportunities with the potential to benefit both partners. One example is shared sales financing services in various markets, including Europe. If a project is not mutually advantageous, we either find a way to balance the return or abandon the venture.

In the end, the true worth of the Alliance springs from its virtually limitless potential. We realize that we each have our own strengths and goals, but that only energizes us to discover where we can rely on each other for support. We challenge each other, too, and in doing so, move our businesses to a higher road.

RENAULT NISSAN

The Renault Scenic (left) and Nissan Dualis

# What Keeps Nissan in Motion

A global corporation must be nimble in both its thinking and its actions to thrive in these highly competitive times. For that reason, the foremost tenet of the Nissan Way is cross-functionality—a way to unite all our far-flung businesses and people. Aligned with the Nissan Value-Up business plan, it is our most potent management tool.

What does cross-functionality mean in everyday terms? The easiest way to understand the concept is to look at our cross-functional teams, or CFTs. A CFT is a group of Nissan employees formed from various regions, cultures, organizations and disciplines. Their experiences and perspectives are often quite different. What seems perfectly logical to one CFT member may seem out of context to another.

Not surprisingly, the interactions between these individuals often generate what we call "healthy conflict." Many companies would view such internal tension as something to be avoided. We do not. Instead, we believe it produces the kind of energy and creative vision that sets a company above the rest.

Behind all of these interactions is the collective desire to serve Nissan's customers. We realize that no single part of our business is capable of producing everything that our customers need—exceptional products and the sales, distribution and services that must accompany them. That is precisely why cross-functional activities are the core of every operation within Nissan.

Another fundamental and closely related concept for us is "stretch." Frequently a question arises that potentially affects every facet of our operations. When that happens, we have to look far and wide for a definitive answer. One distinct advantage of being a global business is that we can tap into a wealth of grassroots knowledge and ways of thinking. In the process, we often gain solutions that stretch the organization in new and profitable directions.

Open, constructive exchanges are at the heart of effective two-way communications. The way we relate to others, both inside and outside Nissan, is based on mutual trust and respect. And because information flows so much faster now, we have developed sophisticated new communications channels. Nissan employees can access company data and transmit what they know to our stakeholders, suppliers, the media and other interested parties in a more efficient way.

Nissan's strength springs from our motivated, passionate people, and we work to increase their enthusiasm in many ways. Keeping our management consistent and promoting empowerment is one of those ways. Our managers operate with strict accountability, assess progress objectively, and readily acknowledge superior performance. Their attitudes and ethical behavior inspire trust in the actions and decisions of the company. Employees readily participate in the decision-making process because they know the management structure and feel confident in expressing their own opinions and ideas. That is how true empowerment grows.

Those are the elements of our corporate philosophy. As Nissan continues to pursue sustainable, profitable growth, our thinking will remain broad. Our ultimate goal is to become the leading automaker in brand strength, quality, profitability and performance, and we aim to do it in every country, region and product segment. The Nissan Way will continue to give us the flexibility to redefine who we are, based on the needs and desires of our customers.

# PERFORMANCE

ELEGANT AND SEAMLESS. ATTUNED AND INTUITIVE. DRIVING BEYOND EXPECTATIONS. THESE ARE ALL NISSAN ATTRIBUTES, INTEGRAL TO OUR CARS AND HOW WE CREATE THEM. FROM ENTRY-LEVEL VEHICLES TO OUR TIER 1 LUXURY BRAND, INFINITI, SINGULAR PERFORMANCE IS A GIVEN. NISSAN'S PROFITABLE, COST-COMPETITIVE NATURE REFLECTS THAT, BRINGING US MORE CUSTOMERS WHO RECOGNIZE AND VALUE QUALITY.


# Performance

## FISCAL 2006 PERFORMANCE

# Continuing Challenges on All Fronts

In fiscal 2006, all the anticipated headwinds materialized. There was almost no growth in mature markets. And with high levels of incentive spending, the industry had no ability to pass on higher raw-material costs to the consumer.

The result was a tough business climate for the auto industry at the lowest point in Nissan's product cycle and at a time when Nissan is investing heavily for its future.

We knew the first half would be rough. As our product offensive began in the second half, we forecast a recovery in both sales and profit.

However, the full-year results were below our expectations and our actions did not match the challenge. So, for the first time in eight years we have missed the performance objectives we had set for ourselves.

### Sales performance

Our fiscal 2006 global sales came to 3,483,000 units, 2.4 percent below the previous year. Around the world, we introduced ten all-new models—all but one in the second half—including several important pillars of our line-up:

- An all-new version of Altima, our volume leader in the U.S.
- The new generation of Infiniti's volume leader, the G35
- Livina Geniss, the first model in a new family of global cars launched first in China

### Fiscal 2006 financial performance

There is an important note on a change in consolidation methods which is in line with auto industry standards: As previously announced, in order to increase transparency and consistency, we are harmonizing calendar-year results for overseas subsidiaries such as Europe and Mexico with fiscal-year results for Nissan Motor Co., Ltd.

With the exception of some countries where fiscal-period accounting is precluded by law, all overseas subsidiaries have been harmonized to align with the consolidated fiscal period ending in March. So this year we will align calendar with fiscal by including five quarters of results for subsidiaries previously consolidated on a calendar-year basis.

- Consolidated net revenues was ¥10 trillion 468.6 billion, with the inclusion of ¥767.6 billion of fifth-quarter results from calendar-year subsidiaries, compared to ¥9 trillion 428.3 billion.
- Operating profit was ¥776.9 billion, with the inclusion of ¥21.4 billion of fifth-quarter results, compared to ¥871.8 billion in fiscal 2005.
- Operating-profit margin was 7.4 percent, with the inclusion of fifth-quarter results, compared to 9.2 percent in fiscal 2005.
- Ordinary profit was ¥761.1 billion, with the inclusion of ¥18.5 billion of fifth-quarter, compared to ¥845.9 billion in fiscal 2005.
- Net income reached ¥460.8 billion, with the inclusion of ¥11.6 billion of fifth-quarter, compared to ¥518.1 billion in fiscal 2005.
- We had a net cash position of ¥254.7 billion at the close of fiscal 2006.

### Nissan Value-Up commitments

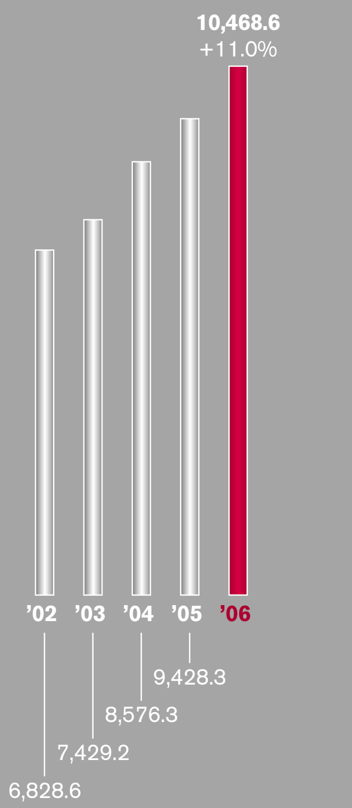
Nissan Value-Up features three commitments:

- To maintain the top level of operating profit margin among global automakers for each of the three years of the plan
- To achieve global sales of 4.2 million units in fiscal 2008
- To achieve a 20 percent return on invested capital on average over the course of the plan, excluding cash on hand

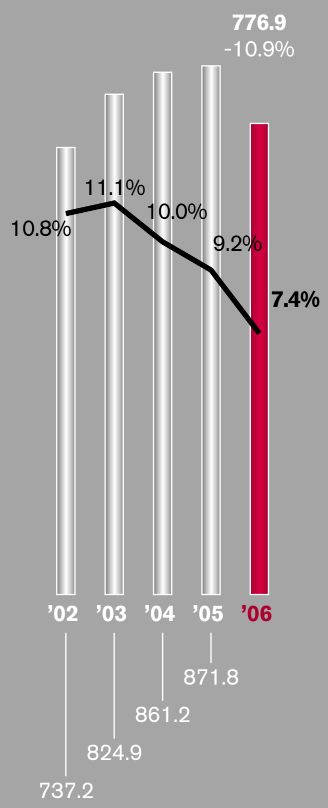
Fiscal 2006 did not boost results towards achieving the objectives of Nissan Value-Up.

However, the commitments are still within the potential of the company and Nissan remains focused on delivering them completely. As such, the company will extend the delivery period of the Nissan Value-Up commitments by one year.

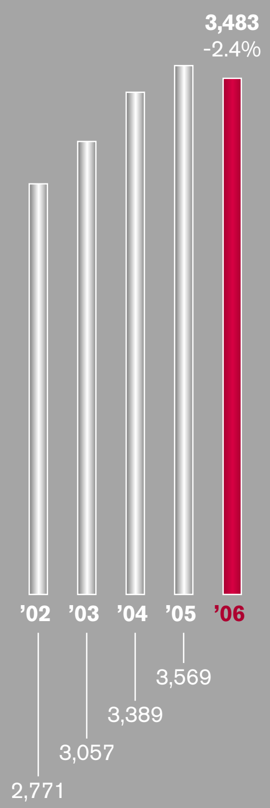
### Consolidated Net Revenue
(Billion Yen)




### Consolidated Operating Profit/Margin
(Billion Yen/%)




### Global Retail Sales
(Units: 1000s)




## Nissan Value-Up Three Commitments

### Consolidated Operating Profit Margin

| | |
|---|---|
| FY05 | 9.2% |
| FY06 | 7.4% |

### Global Sales Volume
(Units: 1000s)

| | |
|---|---|
| FY05 | 3,569 |
| FY06 | 3,483 |

### Return on Invested Capital (Auto)

| | |
|---|---|
| FY05 | 19.4% |
| FY06 | 15.3% |

$$\text{ROIC (auto)} = \frac{\text{COP}}{[\text{Fixed assets + net working capital}]}$$

* Same scope of consolidation as P&L

## FISCAL 2007 OUTLOOK

# Taking Action to Boost Performance

At our third-quarter financial announcement, we acknowledged our performance was unsatisfactory and pledged to take immediate action.

We now have a new leadership team; with an Executive Committee expanded from seven to nine members to better cover our business priorities.

We have also taken a number of business initiatives to improve profitability:

- In Japan, we are restructuring our dealer network to focus more on the customer with better-trained resources.
- In the first quarter, our Oppama and Tochigi plants transitioned to single-shift operations to be in line with actual demand in Japan.
- Nissan Shatai will close its #1 plant and shift production to the #2 plant, and to the Kyushu plant, which is being expanded.
- We have initiated voluntary-retirement programs across all operations in Japan.
- In the U.S., we have implemented voluntary-transition programs.
- In Europe, we're transforming national sales companies into leaner regional business units.
- In South Africa, we have announced headcount reductions to boost productivity and competitiveness.

We are fine-tuning our operations in order to boost our performance. As we address short-term issues, we remain focused on our long-term goals, while keeping a close eye on the motivation and engagement of our people.

### Sales objective

- Global sales at 3.7 million units, a 6.2 percent increase
- Japan sales at 700,000 units, which is based on the expectation of a further decline in total industry volume and a very competitive market
- U.S. sales at 1.1 million units
- European sales at 600,000 units
- General Overseas Markets, including Mexico and Canada, sales at 1.3 million units

### Financial outlook

Throughout fiscal 2007, we will again face a challenging environment due to high raw-material and energy prices, rising interest rates, volatile foreign-exchange rates, high incentive levels and a growing number of distressed suppliers and competitors.

The only way to overcome all these obstacles is to remain focused on delivering Nissan Value-Up effectively and completely.

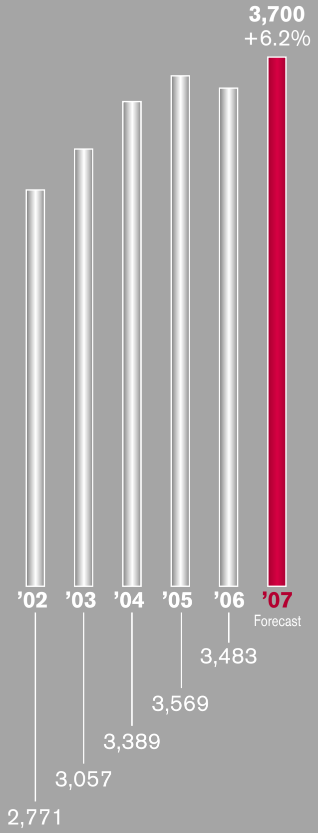
Taking all of the above into account, our forecast for fiscal 2007 is as follows. This is based on a foreign-exchange-rate of ¥117 per dollar and ¥148 per euro, which were the average rates during fiscal 2006:

- Net revenue of ¥10 trillion 300 billion
- Operating profit of ¥800 billion
- Ordinary profit totaling ¥773 billion
- Net income at ¥480 billion
- Capital expenditures of approximately ¥515 billion
- R&D expenses totaling ¥490 billion

## New Models for Fiscal 2007

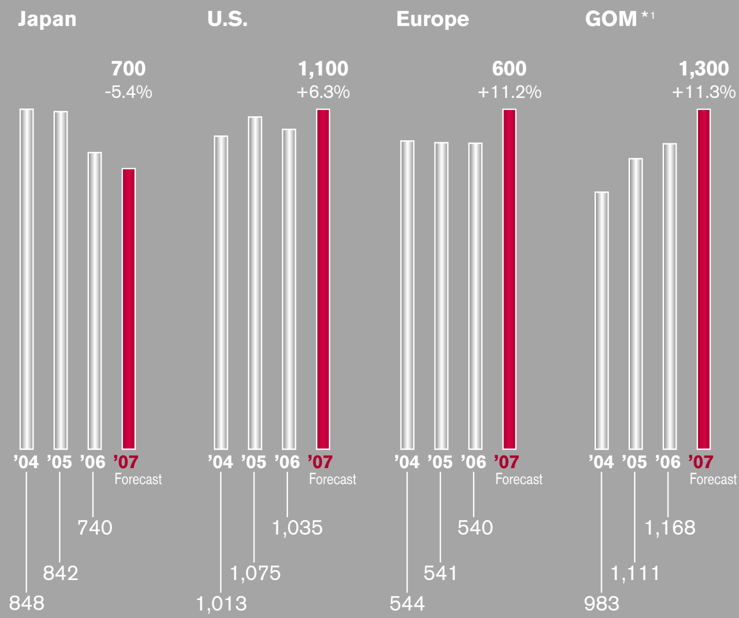

## Global Retail Sales Volume

(Units: 1000s)




## Retail Sales by Region

(Units: 1000s)




*1 Including Mexico and Canada

## STATUS OF BREAKTHROUGHS

# Despite Challenges, Mid-Term Plan and Breakthroughs Continue to Drive Our Business

Fiscal 2006 did not boost our results towards achieving the objectives of Nissan Value-Up. But we believe the commitments are still within the potential of the company and we remain focused on delivering them completely. Accordingly, we will extend the delivery period for all Nissan Value-Up commitments by one year. At the same time, we continue to prepare our next business plan, and we will announce it next April.

Nevertheless, during fiscal 2006, we made tangible progress towards the four key breakthroughs that are central to Nissan Value-Up.

Our first breakthrough aims to establish Infiniti as a globally recognized luxury brand. In fiscal 2005, Infiniti was introduced in Korea. And in fiscal 2006, the brand was successfully launched in the rapidly growing Russian market. In fiscal 2007, geographic expansion will accelerate as Infiniti enters the Chinese and Ukrainian markets and then extends across Western Europe in 2008. To serve these new markets, new products are coming. The all-new G35 sedan launched in 2006 will be followed this year by the G37 coupe and the EX compact luxury crossover. Infiniti is poised for rapid global growth.

The second breakthrough aims to build a global presence in Light Commercial Vehicles—or "LCVs." Global sales have grown 57 percent, since the start of Nissan Value-Up, to 490,000 units in fiscal 2006. More importantly, the LCV business unit over-achieved its 8 percent operating-margin milestone. With LCVs now firmly established as a pillar of our global business, we are building on this momentum.

The third breakthrough involves developing new sources for parts, machinery & equipment, vendor tooling and services in what we call "Leading Competitive Countries." Sourcing bases are now established in China and ASEAN for Japan; in Mexico for North America; and in Eastern Europe for Europe. To accelerate progress, the next step will be to develop a new sourcing base in India. In fiscal 2006, for Japan, North America and Europe, 15 percent of our purchasing, by value, was sourced from LCCs, versus 12 percent the previous year. In fiscal 2007, we will accelerate this trend to source 24 percent of our purchasing from LCCs. To reduce costs and focus employees on core tasks, we are outsourcing back-office functions and a variety of work in engineering, information services and manufacturing. In fiscal 2006, this effort yielded gross savings of ¥43 billion in costs reduced or avoided.

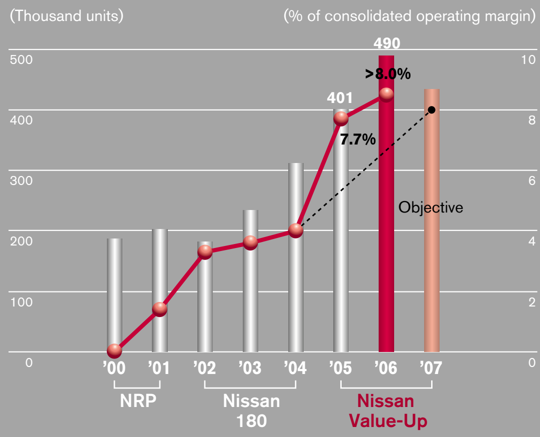
The fourth breakthrough expands our geographic presence in emerging markets, known as BRICs and beyond. In Brazil, we are investing $150 million in our operations and targeting sales of 40,000 units by 2009. In Russia, we are investing $200 million in a plant in St. Petersburg that will have a capacity of 50,000 units when it opens in 2009. In India, we are joining Renault in a partnership with Mahindra. Together, we are building a plant in Chennai that will open in 2009, with a planned capacity of 400,000 units. In China, since 2003, we have invested $1.6 billion in our partnership with Dongfeng, with recent investments in a new engine plant and a new R&D center.

During Nissan Value-Up we will pursue four major breakthroughs:

### Infiniti Global Top Tier Brand

INFINITI


### Light Commercial Vehicles (LCVs)




### Leading Competitive Countries (LCCs)


### Geographic Expansion

# FISCAL 2006 FINANCIAL REVIEW

**FISCAL 2006 WAS THE FIRST TIME IN EIGHT YEARS WE MISSED THE PERFORMANCE OBJECTIVES WE HAD SET FOR OURSELVES. ALL THE ANTICIPATED HEADWINDS MATERIALIZED. HOWEVER, OUR ACTIONS DID NOT MATCH THE CHALLENGE.**

**WE HAVE TAKEN A NUMBER OF BUSINESS INITIATIVES TO IMPROVE PROFITABILITY AT THE END OF FISCAL 2006. WE REMAIN FOCUSED ON DELIVERING THE MID-TERM PLAN "NISSAN VALUE-UP" COMPLETELY.**

In order to increase transparency and consistency, we have harmonized calendar year results for overseas subsidiaries, such as Europe and Mexico, with fiscal year results for Nissan Motor Co., Ltd. With the exception of some countries where fiscal-period accounting is precluded by law, all overseas subsidiaries have been harmonized to align with the consolidated fiscal period ending in March. This was done by including an additional quarter of results from January to March in 2007 for those subsidiaries previously consolidated on a calendar year basis.

Adding this fifth quarter resulted in a one time positive impact to fiscal 2006 results of ¥767.6 billion in revenues, ¥21.4 billion in operating profits and ¥11.6 billion in net income.

## Net sales

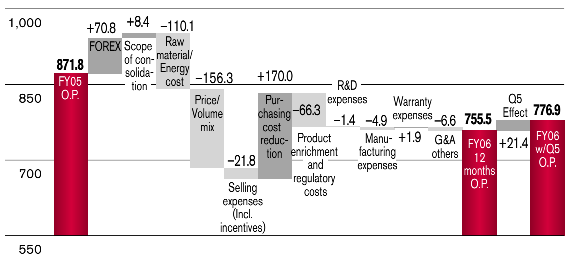
Consolidated net sales came to ¥10,468.6 billion, up 11.0 percent from last year. The impact from the fifth quarter resulted in an additional ¥767.6 billion. Favorable changes in foreign exchange rates resulted in a ¥326.1 billion improvement.

## Operating profit

Operating profit was ¥776.9 billion, with an operating profit margin of 7.4 percent. The following factors affected operating profit:

- Foreign exchange rate fluctuations produced a ¥70.8 billion gain for the year. Of that total, ¥39.2 billion came from the appreciation of the U.S. dollar against the yen. The appreciation of the euro resulted in a positive impact of ¥16.7 billion. Forex activity in other currencies brought in ¥14.9 billion.
- Scope of consolidation changes had a positive impact of ¥8.4 billion.
- Raw material and energy costs increased by ¥110.1 billion. Price, volume and mix had a negative impact of ¥156.3 billion. The combination of these two items was the principal reason for the underachievement in fiscal 2006.
- Selling expenses increased by ¥21.8 billion, which was mainly due to the higher level of incentives, particularly in the U.S. market.
- Lower purchasing costs resulted in a contribution of ¥170.0 billion.

**Impact on Operating Profit**
(Billion Yen)



- Product enrichment, including regulatory costs, had a negative impact of ¥66.3 billion.
- R&D expenses increased by ¥1.4 billion.
- Manufacturing and logistics expenses went up by ¥4.9 billion.
- Warranty expenses had a positive impact of ¥1.9 billion.
- General, administrative and other expenses rose ¥6.6 billion.
- As previously mentioned, the inclusion of an additional quarter from former December ending companies generated a positive impact of ¥21.4 billion.

By region, for fiscal 2006, operating profits in Japan were ¥270.6 billion, which decreased from ¥390.4 billion in fiscal 2005. Although mini cars remained a profitable business, the deterioration in mix and decrease in overall volumes in Japan were the main reasons for the decline in profitability.

Profitability in the U.S. and Canada was ¥282.6 billion, versus ¥345.4 billion last year. Thirty percent of the decline in U.S. profitability was attributable to the QR 25 engine recall, which was booked in regional accounts. In Europe, operating profit increased to ¥79.6 billion in fiscal 2006 from ¥67.2 billion in fiscal 2005. In the General Overseas Markets, operating profit was ¥113.3 billion, versus ¥101.2 billion last year. Inter-regional eliminations resulted in a positive ¥9.4 billion.

### Net income

Net non-operating expenses came to ¥15.8 billion, improving from last year's ¥25.9 billion due to the absence of a negative foreign exchange impact.

Net extraordinary items totaled negative ¥63.7 billion, ¥26.8 billion higher than last year. Included in this year's extraordinary items were headcount reduction programs in the U.S. and Japan, which were announced in April, with an impact of ¥28.0 billion.

Pre-tax income was ¥697.4 billion. Taxes totaled ¥212.1 billion, which represented an effective consolidated tax rate of 30.4 percent.

Minority interests, which are profits from fully consolidated companies that Nissan does not own outright, such as Calsonic Kansei, Aichi Kikai and Nissan Shatai, amounted to ¥24.5 billion. Net income reached ¥460.8 billion, versus ¥518.1 billion in fiscal 2005.

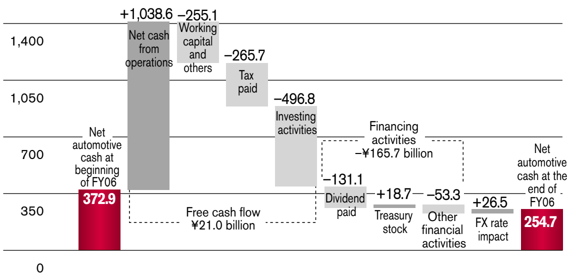
## FINANCIAL POSITION

### Balance sheet

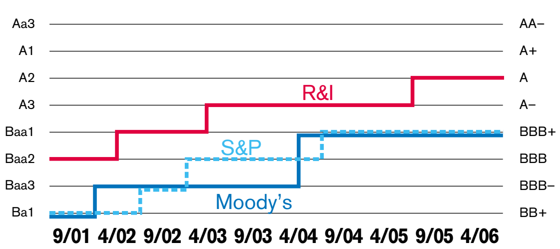
In fiscal 2006, Nissan's total consolidated assets went up by 8.0 percent to ¥12,402.2 billion.

Current assets increased by 7.8 percent to ¥6,492.9 billion. The main reasons were the ¥190.5 billion increase in notes and accounts receivables and a ¥148.2 billion increase in inventories. Fixed assets increased to ¥5,909.3 billion, an 8.3 percent rise.

**Net Cash Flow (automotive)**
(Billion Yen)




**Corporate Rating**



Current liabilities went up 14.9 percent to ¥5,575.3 billion. This was due to increases in short term borrowings. Non-current liability decreased by 9.4 percent from fiscal 2005 to ¥2,949.9 billion. This was mainly caused by the decrease in long term borrowings.

Net assets increased 14.8 percent to ¥3,877.0 billion compared to ¥3,377.0 billion in fiscal 2005, which had been adjusted for related implementation guidance. This was mainly due to the increase in net income of ¥460.8 billion, which was offset by the decrease of ¥131.1 billion in dividends paid.

## Automotive net cash change

Cash from operations totaled ¥1,038.6 billion. Free cash flow totaled ¥21.0 billion by increased working capital, tax payment and capital expenditures. Cash outflow from financing activities totaled ¥165.7 billion, including ¥131.1 billion for dividend payments.

We had a net cash position of ¥254.7 billion at the end of fiscal 2006, which represented a decrease of ¥118.2 billion compared to the beginning of the fiscal year. This was due to the decrease in cash from operations and increase in capital expenditures.

## Credit rating

R&I had Nissan's long term credit rating listed as A, as of May 16, 2005. S&P upgraded our rating from BBB to BBB+ on July 20, 2004, and Moody's upgraded us from Baa3 to Baa1 on March 9, 2004.

## Investment policy

Capital expenditures were ¥509.0 billion, or 4.9 percent of net revenue. This included the investments in "New Design Center" and "Nissan Advanced Technology Center". R&D expenditures were ¥464.8 billion. The funds were used for developing new technologies and products. Our R&D strategy is focused, sustainable and innovative. This strategy is a result of our cross-functional corporate culture.

And through the Alliance, we now have an extensive collaboration with Renault's R&D.

## Dividend

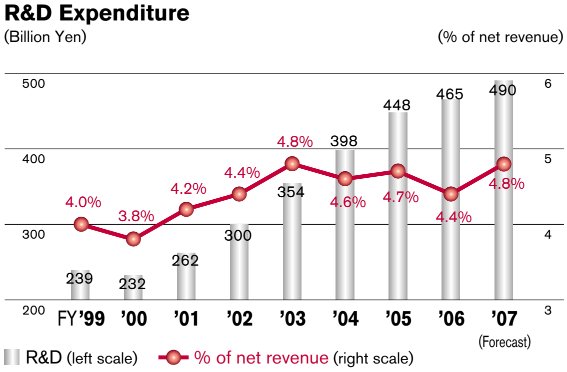
At the annual general meeting of shareholders on June 20, 2007, the company proposed increasing its dividend to ¥34 per share in fiscal 2006, which was an increase from ¥29 in 2005. And we will maintain the dividend payment plan of ¥40 per share at the end of Nissan Value-Up in March 2008.

## Return on invested capital

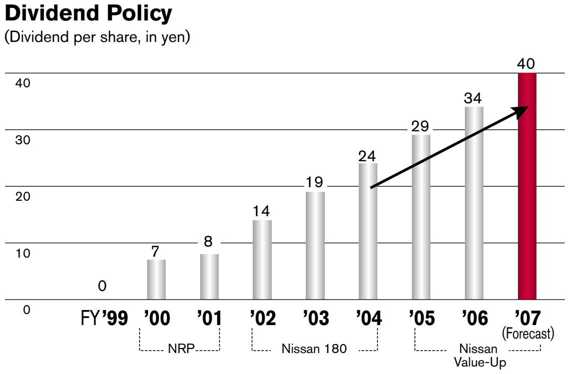
At the end of fiscal 2006, return on invested capital (ROIC) was 15.3 percent. This decline from 19.4 percent in fiscal 2005 was mainly due to the decrease in operating profit.

Nissan will continue to ensure that investments are made within the strict guidelines of its operating policies.

**R&D Expenditure**




**Dividend Policy**



# FISCAL 2006 SHARE PERFORMANCE

**THE INVESTOR RELATIONS TEAM'S ROLE IS TO BETTER ADDRESS THE NEEDS OF INVESTORS AND ENHANCE THEIR UNDERSTANDING OF NISSAN'S PERFORMANCE. WE ARE COMMITTED TO ENSURING THAT INVESTORS WILL NOW BE ABLE TO GAIN A MORE IN-DEPTH VIEW OF THE COMPANY'S OPERATIONS AND PERFORMANCE INDICATORS.**

## Share performance in fiscal 2006

At the start of fiscal 2006, Nissan's share price began at ¥1,398 and ended at ¥1,263, generating a negative return of 9.7 percent. With the annual dividend of ¥34, total return to shareholder (TRS) was a negative 7.2 percent. On a market-adjusted basis, our TRS was a negative 7.4 percent. While it is true that our profit declined substantially in fiscal 2006, there are many activities going forward which are not reflected in our current result. In this report, corporate officers will explain what actions Nissan has taken and will take to ensure better performance for the future.

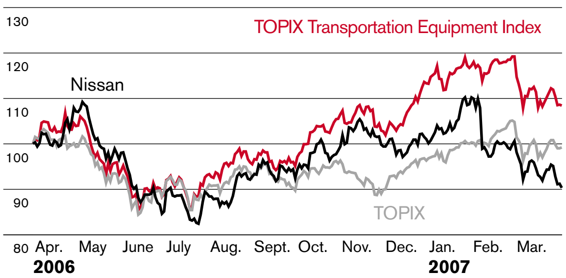
## Payout policy

At the annual general meeting of shareholders on June 23, 2004, Nissan announced its Nissan Value-Up three-year dividend policy, covering the period from fiscal 2005 to fiscal 2007. Nissan proposed a long-term dividend policy to provide more visibility and improve transparency into the ways in which the company rewards its shareholders. Nissan believes that a long-term dividend policy reduces uncertainty for investors who currently own or are considering acquiring Nissan stock.

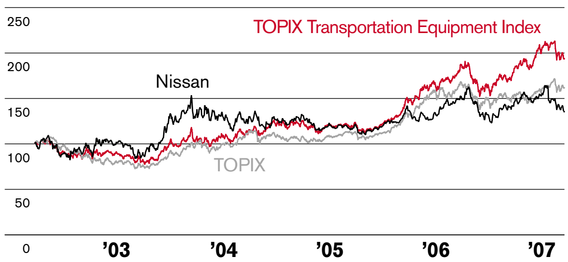
## IR activities

Under Nissan Value-Up, the IR team's performance will be evaluated based on the price-earnings ratio (PER) and volatility relative to our major competitors. PER is used to measure how successfully the IR team can manage market expectations about Nissan in order to maintain share price close to an intrinsic value. The other measure, volatility, is used to measure the risk perceived by investors in Nissan's stock. If Nissan can successfully reduce volatility, the minimum return required by investors should decline. In order to improve both measures, the IR team believes that it's essential to improve the company's transparency. The team plans to disclose not only financial results but also forward-looking information about Nissan's fundamentals, such as technology and product. Such information should help investors forecast the company's future performance accurately and reduce uncertainty. In addition, our top management team will increase their availability to communicate directly with investors. We believe that this will further enhance investors' understanding of Nissan's future strategy.

**Fiscal 2006 Share Performance**
(Index: March 31, 2006=100)




**Five-Year Share Performance**
(Index: March 29, 2002=100)



# REGIONAL ACTION

NISSAN'S CONTINUUM OF CONCERTED GROWTH REACHES INTO MARKETS AROUND THE WORLD AND MAGNIFIES OUR STRENGTH. EVEN AS OUR PACE IN THIS PURSUIT QUICKENS AND OUR LINEUP GAINS BRIGHT NEW FACETS, WE REALIZE THAT ONLY FOCUSED EXPANSION MAKES SENSE. THAT IS WHY, REGION BY REGION AND CUSTOMER BY CUSTOMER, NISSAN CONTINUES TO FLOURISH IN BOTH ESTABLISHED MARKETS AND FARFLUNG NEW TERRITORIES.

gional Action

JAPAN

**TOSHIYUKI SHIGA**
Chief Operating Officer

# Establishing a Competitive Advantage in Japan

**Our sales volume in Japan during fiscal 2006 was 740,000 units, representing a year-on-year decline of 12.1 percent. External factors influencing these results included the drop in total industry volume and a shift in demand to the mini-car segment. Total industry volume was down by 4.1 percent from the previous year to 5.62 million units.**

However, internal factors also played a role. For example, we did not launch any new models in major segments such as compacts and mini-vans. While mini-car sales reached an all-time high, the sales of what are referred to as "registered" cars dropped significantly, going below 3.6 million units for the first time since 1977.

As the aging of the population accelerates and customer values change, the reality is that we can no longer expect a big rise in total industry volumes in the future. Competition will continue to get tougher as well. However, we believe that even in this rapidly changing environment Nissan can establish a competitive advantage. Therefore, we have taken a series of corrective actions, as opposed to passively following the market environment and shifts in customer behavior.

One of these essential reforms involved modifying the sales function. Starting in April 2005, we began combining our Red and Blue Stage outlets so that customers would have one-stop access to the entire range of Nissan products. Having multiple sales channels for one brand can be effective in a growing market. But once market growth diminishes, the multiple channel strategy is an inefficient way to run a sales network. That structure also forces you to constantly introduce new models to maintain those channels, which can have a negative impact on investment efficiency. It is time for us to examine how to achieve the highest level of customer satisfaction, and then accomplish that in the most efficient manner possible.

Our sales network has historically been built on regions and channels. Now we offer customers the full lineup of Nissan products and life-long service support through our rationalized outlets.

In addition, Nissan is the first company to optimize its outlet locations as a way to minimize operational costs and utilize outlet assets more efficiently. In July 2006, we established Nissan Network Holdings to manage our 52 consolidated dealers in Japan. We also split the sales and asset management functions into separate companies. Now we are consolidating sales companies and optimizing our outlets prefecture by prefecture through consolidation, terminations and new sales points. In fiscal 2006, we successfully completed this process in five prefectures and are now working to duplicate that feat in a dozen more.

As we announced in March 2007, the objective of the Nissan network strategy is to further accelerate our restructuring efforts and transform our networks into a distinct competitive advantage. We will focus on the quality of our sales interactions and work to achieve outlet operations with higher customer satisfaction and profitability. We plan to do this by sharing best practices between outlet operations and improving the capabilities of our employees. Given the tougher competitive environment we face, we are working on reducing our indirect activities to improve the cost structure of our sales companies. At the same time, we are committed to supporting the sales staff with better tools and methods.

Maintaining stable sales and higher production in Japan is crucial for us to secure our competitiveness as a global manufacturing company. That is why we need to regain momentum in our domestic operations and improve profitability. We are working

not only on network reform but also a variety of other activities, such as launching appealing new models, developing innovative technologies, and optimizing the manufacturing cost structure in Japan.

The 12th-generation Skyline, which we launched last November, has exceeded our initial forecast thanks to its design, driving performance and technology. Our Dualis, which we introduced in May, is also off to a solid start. While customers are changing their attitudes about car ownership, treating cars more as commodities, we believe we can build a stronger brand and presence in Japan if we provide unique and innovative products.

We believe that the rapid changes in the market and competition are here to stay and indeed, intensify. However, we will seek to boost our competitive advantage in Japan by continuing to revolutionize our operations and products.

**Nissan Domestic Sales Network Renovation**

**In order to develop a more powerful sales network by renovating and empowering our outlets (sales front),**

**As a first step, NML must alter the whole concept of its Domestic Marketing and Sales Divisions.**

◆ Focus on the sales front

Switch from NML-led “Across-the-board” management to “Management that focuses on frontline sales communications”

◆ Change network management

Move from Management by prefecture/dealer to “management by individual outlet” → **High-performance outlets**

**Steps to Energizing the Outlets**

Innovative Sales Outlets

| | |
|---|---|
| **Staff empowerment** | Increase and improve outlet support team and field staff |
| **Frontline focus** | Delegate more discretionary authority to individual outlets (Respect uniqueness and local needs) |
| **Outlet allocation** | Promote the Prefectural Project (Optimize domestic outlet placement and investment) |
| **Low-cost operation** | Reduce indirect costs by leveraging our Business Center (BC) Shared Service Center (SSC) |

Unique outlets, Frontline innovations, Better area marketing

Dualis

Skyline

Serena

NORTH AMERICA

**DOMINIQUE THORMANN**
Senior Vice President
Nissan North America

# Building on a Strong Product Plan in a Shifting Market

**The automotive market in the United States was a tale of two halves in fiscal 2006. In the first six months of the year the industry was relatively healthy, but we lacked new product offerings. When we launched products in the second half, the economic environment was not as inviting as fuel prices started rising and housing starts slowed. As a consequence, total industry volume fell rapidly.**

As volumes declined, so did the vehicle mix. People were moving from traditional SUVs to crossover vehicles and from light trucks to sedans and small cars. Our sedan lineup performed relatively well, particularly the cars we launched, but a drop in the truck segments overshadowed a lot of their success.

Although the U.S. market is still one of the most vibrant markets in the world, TIV fell to about 16.5 million units last year. This year it's hovering between 16 and 16.2 million. In January 2007, we projected the market would fall to 16 million during the fiscal year. Unfortunately, to date, we were right. In two years, the U.S. market will have lost close to a million units.

The introduction of our new small car, the Versa, was well timed as fuel prices are climbing. This product answers the needs of the marketplace, although admittedly the margins for that segment aren't as high as larger cars. Still, it's better for us to capture those customers than lose them to somebody else.

The competition in the U.S. market remains fierce, and that's reflected by high levels of incentives and rapid product introductions. Incentives are a constant in the marketplace now—the only thing that changes is how fast they're announced and how big they are. There was a time during 2006 when some makers, after reducing their prices were attempting to go without incentives. By the end of the fiscal year, though, they'd reversed that trend and were bringing back the incentives again, on top of the lowered prices, particularly for trucks.

The constant barrage of new products that we're planning over the next several years will be the fuel for our growth in this difficult environment. For the Nissan Division, we launched the Versa, Sentra and an all-new Altima sedan. In the summer, we launched our first-ever coupe version of the Altima. Later in the year, we will release the Rogue, our new entry in the midsize crossover segment. Between those two cars, we're entering segments that we had no offer in before. Virtually all those sales should be incremental.

In the second half of fiscal 2006 our sedan sales were up significantly, driven by the Altima, which is our Nissan brand volume leader. In the past, the Sentra covered both the entry-level segment and the compact car segment. With the introduction of the Versa to the entry-level market, we elevated the Sentra's stature to cover solely the compact car segment.

The Altima coupe is a line extension, and an exciting one. There are a few other coupes out there, but none really fulfills the word properly. A coupe shouldn't be just a two-door version of the sedan. Altima will be the first true coupe in that segment. Of the nine body panels on a vehicle, for example, it only shares one with the Altima sedan, and we've also shortened the wheelbase. While there's still a family resemblance, it's a dramatic departure from the sedan.

The Rogue is entering the fastest-growing segment in the market today, and one that so far has been dominated by a few other models. With fuel prices so high, some people are migrating from traditional SUVs to mid-sized crossovers, while others are going to the small SUVs. This is a real opportunity to further expand our volume.

On the Infiniti side, we'll be launching the G37 coupe later in fiscal 2007. This is a replacement vehicle for a model that was very successful and in fact, the press coverage has already been very positive.

At the New York Auto Show we also unveiled the Infiniti EX35, our first entry into the small luxury crossover segment. Those sales will also be virtually all incremental. The migration from traditional SUVs to mid-sized crossovers and small SUVs in both divisions is probably the biggest opportunity we have in the short run, because those are rapidly growing segments where we haven't had a presence before.

Trucks represent a declining segment in which the competition is very brutal. We're not shying away from that challenge, but we're also not resorting to deep incentives just to maintain a bigger presence in a shrinking market. Our number one goal is profitability, not chasing volumes.

From a brand perspective, our goal on the Nissan side is to increase customer brand opinion. A lot of new-car buyers consult Consumer Reports magazine before deciding what to buy, so we were really pleased to see that after a recent test by the magazine, they gave the new Altima a very good review.

On the Infiniti side, the short-term goal is to enhance brand recognition, because in relative terms we're a new brand in the U.S. luxury market. Consumer Reports recognized Infiniti's G35 and M as two of the ten best cars in America for safety and reliability in their respective categories. In the long term, our goal is to become one of those Tier 1 luxury players. That's something that has to be earned—it's not something you can just claim.

You have often heard Nissan talk about the importance of good, competitive products. It's what customers see and, ultimately, what makes them choose the brand they buy. But for products to be competitive in the marketplace, Nissan must also be profitable. In the automotive industry, that means cost competitive.

Cost competitiveness means first and foremost having the right people, but also the right purchase costs, efficient processes and an effective organization. It is with this necessity in mind that NNA moved its corporate headquarter in 2006 to Nashville, Tennessee.

Customers see one product at the end of a complex design, manufacturing and sales process. For the customer to get the best product at the most competitive cost, NNA must operate as one team. Moving the sales, marketing, finance and all of the administrative functions to be with manufacturing, supply chain management and purchasing gave us the opportunity to gain in efficiencies and better understand the needs of customers.

The move went smoothly and the disruption was minimized by good advanced planning. A corporate regional headquarter building, Nissan Americas, is under construction and everyone will relocate in the summer of 2008.

This building will also help NNA manage more effectively across the vast and complex region of the Americas which stretches from Canada to Argentina. The opportunities to better leverage our infrastructure are big.

Products made in Mexico, such as Versa and Sentra are exported within the region, primarily the United States and also to more distant markets like Russia. In Brazil, Nissan leverages the alliance with Renault where we share manufacturing facilities, sales and distribution as well as administrative functions.

NNA will continue to evolve as a regional entity with the sole purpose of delivering better, more competitive products for our customers with a higher return for all our stakeholders.

**Rogue**

EUROPE

**BRIAN CAROLIN**
Senior Vice President
Nissan Europe

# Staying Profitable and Picking Up the Pace

**The European market is both mature and saturated. Overall volume in the region was flat in fiscal 2006, with Western Europe down. The exception was Russia, which again enjoyed excellent TIV growth. We ended the year at 539,000 units, almost in line with our retail sales performance last year.**

Nissan's market presence in Western Europe, however, has eroded. One major reason is that we're changing the model lineup, with three models—the Almera, Almera Tino and Primera exiting most markets. The one model we launched in 2006, the Note, couldn't fully compensate for the loss of those three vehicles. However, we capitalized on strong growth in Russia to maintain our total volume and market share. Our final sales figure for Russia was around 76,000 units.

Despite the sales challenges, Nissan Europe reached a record consolidated operating profit again, becoming the only Nissan region to meet its profit commitment. We could have improved our sales performance, but chose to concentrate on profitable sales rather than chase volume.

Fiscal 2006 saw some significant restructuring, including revamping the distribution network. In January we gave one year's notice to all dealers in Germany, for example, keeping the best and dropping those too small or financially insecure to grow with us. We're now attracting investors who are able to offer professionally qualified sales staff in the stores, a higher quality and wider range of services for the customer and much better locations.

In the four Nordic territories—Norway, Denmark, Sweden and Finland—we established a new regional business unit to replace previous importers, and restructured the dealer network. We did the same in Central and Eastern Europe with Hungary, the Czech Republic, Slovakia and Poland.

A high point for us in 2006 was the launch of our Infiniti brand in Russia. We did this through three large dealers, with two showcase showrooms in Moscow and another in St. Petersburg. All three meet the IREDI global standard. The launch was very successful—we were able to deliver around 750 vehicles to customers before January. Sales have accelerated since then, particularly of the FX. Having a signature vehicle like the FX, which is very visible in both cities, got us off to a quick start.

In Western Europe, we plan to launch the Infiniti brand at the Geneva Motor Show next March—the G series saloon and coupe, the FX, and a new small luxury crossover, with sales starting in the last quarter. We'll offer a petrol-only line-up initially but introduce diesel engines later. We plan to open a large number of sales points in fall 2008, covering between 15 and 20 countries.

Our two major launches this year are the Qashqai and the new X-TRAIL. We believe the Qashqai will be emblematic for the brand, demonstrating that Nissan can offer something different to the mainstream. The launch has been very successful, with sales ahead of our expectations and a large order bank.


Through the Alliance with Renault, we have secured high quality diesel engines that have allowed us to be very competitive and follow the growing diesel trend in Europe. That's very noticeable in the case of the Qashqai, which we offer with either a 1.5 dCi diesel or the fantastic 2.0-liter with 150 horsepower.

We're launching the X-TRAIL in most markets around September. The initial press is very positive. The car is regarded as an evolution on the outside but a revolution inside—almost 50 percent more trunk space and a big increase in the perceived quality.

In fiscal 2007, we aim to grow both profit and volume—something we have not done since the formation of the Alliance.

Much of that growth is linked to the launch of the Qashqai. Our brand is still relatively weak in Europe; our image attributes are predominantly the traditional rational ones of value for money and reliability, and we haven't achieved a significant breakthrough in the more "emotional" attributes. We plan to capitalize on cars with a point of difference, like the Qashqai, using their road presence to alter people's perception of Nissan. The Qashqai is already picking up awards. For instance, it recently scored the maximum five stars in the European New Car Assessment Programme (Euro NCAP) adult occupant safety test.


**New X-TRAIL**


**Navara**


**Infiniti FX launch in Russia**

GENERAL OVERSEAS MARKETS

**KATSUMI NAKAMURA**
President & CEO,
Dongfeng Motor Co., Ltd.

## China

# Great Growth and Great Challenges in China

**China is a huge, crowded market—the world's second largest—and the competition is fierce. Ten makers currently have shares around 5 to 10 percent, and Dongfeng Nissan was at 4.8 percent and ranked ninth in 2006. The total industry volume exceeded seven million units, including 4.2 million passenger vehicles and 2.8 million commercial vehicles. Between 2005 and 2006, the TIV for passenger vehicles went up a million units.**

We projected sales of 484,000 units for fiscal 2006—including passenger vehicles, LCVs, and heavy-duty trucks—and sold 482,500. Our numbers for larger commercial vehicles were down, but passenger vehicle sales accelerated, reaching 200,000 units. Our LCVs—light commercial vehicles—were also moving well, and we are now number two in the Chinese LCV market. Our new heavy-duty truck developed at Dongfeng Motor Co. was named both Truck of the Year and most fuel-efficient high-performance vehicle.

The price competition in China is intense. Of the 156 models currently being offered, just ten sold over a hundred thousand units. Prices are down even in the top-end D segment. This top-down pressure influences C segment prices, which presses down on the B segment. For example, in the case of the Sylphy, our focus was on introducing the 2.0-liter model first. But the drop in price of D segment vehicles affected sales, so we've already introduced the 1.6-liter Sylphy to recover volume. Those are the kinds of situations we're dealing with.

We introduced two new products last year, the Sylphy and the Livina Geniss. Sales of both models are virtually in line with our plan. We're always busy launching new cars, as are other makers, because the Chinese customer's eye is constantly being drawn to new products. The market is growing, but because this growth is driven by frequent launches from various makers it's very difficult to get major volumes for each car.

A primary objective of our business plan for China to date has been to increase brand recognition. We've established the Nissan brand with Chinese customers through three years of efforts. Nissan is a relative latecomer to the market, however, and the younger generation in particular doesn't know us well enough. I'm happy to say that our brand recognition is continually improving—we were second in the J. D. Powers Customer Satisfaction Index in 2006, just a bit behind the leader. While we ranked sixth in the Sales Satisfaction Index or SSI ratings, there was only a small difference between number two and number six. Nissan Tiida, our number one seller, with sales of around 110,000 units, was number one in the entry midsize segment—one of the most competitive segments—in both the 2006 J. D. Powers Initial Quality Study and the 2006 China Automotive Performance, Execution and Layout (APEAL) Study. Our objective is to be among the top three in all of these evaluations in 2007.

To enhance Nissan's reputation we are also doing product promotions and some social activities and making donations to the less fortunate. Through these activities and good relations with local people, I believe our image is improving at a grassroots level as well.

This year is the last one of our first-generation business plan, which started in 2004 and has mainly focused on establishing our business base for Dongfeng Nissan and Dongfeng Motor Co. Ltd. We were establishing the production site and the new management method, as well as our new sales network. We are now developing a second-generation three-year business plan for 2008 to 2010 based on that foundation. It is essential for


manufacturers in the Chinese market to invest in offering new products here, and in the sales networks and services and so on. Many manufacturers are developing new services for customers. If we don't do the same, our sales volumes and customer support will shrink.

In fiscal 2007 we have a target of 300,000 units for Nissan-branded vehicles, which is 50 percent more than last year. In terms of our passenger vehicle business, since we plan to introduce more new products, we'll be expanding production capacity at the Guangzhou plant from 270,000 to 360,000 vehicles by 2008. We will also be expanding our dealer network from the current 300-plus outlets to four hundred. Over 70 percent of our dealers were profitable in 2006, and many earn enough on services to pay virtually all fixed dealership fees. Our expansion efforts are now focused on establishing mid-sized dealers in each province.

Our first-quarter results for LCVs show we increased sales volume by 30 percent, even though the TIV is only growing by around 10 percent, and we are trying to improve our sales performance by using Dongfeng-badged LCV products. We have plans to bring in a Nissan-branded LCV product for customers who would like even better quality and performance.

We have no plans to export passenger vehicles we make, because China is the only market with a 20 percent sales volume increase and more than four million units. Our Dongfeng-badged commercial vehicle operation, however, is exporting trucks to emerging countries such as Pakistan, Africa and Afghanistan, and to the Middle East. We exported more than 10,000 units in 2006, and we're aiming for 12,000 units in 2007.

This April at the Shanghai Motor Show we introduced the new Livina. This is a very strategic vehicle for Dongfeng Nissan because it is priced between 80,000 and 100,000 yuan, a range affordable to first-time customers who would ordinarily buy Chinese makes. The Livina is Nissan-branded, has Nissan quality and almost the same interior space as the Tiida. It should appeal to first-time buyers, especially ones with families. We already have 4,000 orders in hand one month after its debut, which is 50 percent more than our expectations. We hope to use this new vehicle to generate even greater sales volume.


**Tiida**


**Sylphy**

**Auto Shanghai 2007 (April, 2007)**

GENERAL OVERSEAS MARKETS

**YASUAKI HASHIMOTO**
Corporate Vice President

## Asia/Oceania

# Recovering Momentum in GOM

**GOM performed well in fiscal 2006 in an overall sense, increasing by 8 percent, and we reached around 860,000 units in total sales during the year, which is very encouraging.**

However, 2006 was a difficult time due to both external and internal factors. Some markets like Indonesia, Thailand and Taiwan were sluggish, primarily because of drops in total industry volume and a lack of new models. The TIV in Taiwan, for example, fell by 30 percent, due to both economic and political causes. Indonesia now imports rather than exports oil, and is suffering from the higher prices of oil and other economic factors. TIV there has basically dropped by 40 percent. In Thailand, many of our main products were at the end of their model lives, most critically the Pickup, in a country where pickups comprise over 50 percent of the market.

There were bright spots, of course. One was the Infiniti G35, which was named both Import Car of the Year and Car of the Year in its segment in Korea. The common platforms and powertrains the Alliance uses continue to make a positive difference, giving us the cost benefits of the Renault-Nissan global sourcing network.

Fiscal 2007 is shaping up nicely. This past January in Thailand we introduced a completely new truck, the Frontier Navara. It's doing extremely well—we've gotten lots of "conquest" sales, meaning that customers are coming to us from other makers. In Indonesia our new global strategic model, the Grand Livina, has received an even better reaction from customers than we anticipated. Renault will also be providing us with a new diesel engine. This is a key success factor in the GOM market, because GOM customers are sensitive about the running costs of vehicles, and the cost of ownership for diesels is much less than for petrol engine models.

Although the competition is tough in China, we are also gaining sales and profit. We introduced the Livina there and it's selling very well. Sales of the Tiida, which is a major model in GOM in terms of volume and profit, are now up in many markets. So far in 2007, the sales of passenger vehicles are approximately 128,000 units, which is an increase of 30 percent compared to last year.

Since our business in GOM occurs primarily in emerging markets, we face both huge risks and huge opportunities. Without taking risks, though, we cannot penetrate these markets. Fortunately, things are generally good. Tensions between Pakistan and India are decreasing, and China hasn't given us any big surprises so far.

One of our current initiatives is to further empower our regional headquarters in GOM to ensure that we react faster to market changes. We are also planning to delegate more authority on the R&D and purchasing sides so that the local teams can refine products and strategy. We are already preparing for future geographic expansion in those areas.

We expect further growth in volume in countries like China, India, Pakistan and Korea, so we will need to reinforce their sales networks. This year we are aiming for sales of about one million units throughout GOM, which represents around a 14 percent increase from fiscal 2006.

Frontier Navara

**GILLES NORMAND**
Corporate Vice President

## Middle East, Africa, Latin America and the Caribbean

# A Fast-Rising Performer

**The story for fiscal 2006 in our part of GOM—Africa, the Middle East and Latin America—was much the same as in 2005, with double-digit growth momentum in all regions. Our total volume was up 18 percent, and our average market share rose to 7.7 percent. Our growth was well balanced across Latin America, the sub-Sahara, the Caribbean, the Maghreb, and the Middle East. Some countries enjoyed explosive growth, including the doubling of our sales in Venezuela and Egypt, 18 percent in South Africa, and more than 20 percent in some parts of Latin America and the sub-Sahara.**

Rising prices for raw materials and oil have been a positive driver for us. For instance, our sales in Chile, the world's largest copper producer, are buoyant. The increased traffic of such goods through the Suez Canal and Panama Canal has also helped us. We've doubled our volume in Egypt, and our sales in Panama are thriving.

Last year we launched four new vehicles in Latin America and the Caribbean, including the Tiida, which was voted Car of the Year of the Americas. We also introduced several new models in the Middle East, such as the Sunny, now sourced from Korea through our Alliance with Renault. This car is incredibly successful—our initial sales projections were too conservative, and we're having a hard time keeping our Middle East and African distributors supplied. In the luxury market, Infiniti sales in the Middle East totaled 4,700 units, up 28 percent. That's good, but in our opinion still far from the Infiniti's potential in the region.

We did lose an opportunity in entry-level cars, simply because we don't have this type of product in our lineup yet. However, we recognize the global opportunity of such products and we're working very hard to address this segment.

On the plus side, Nissan's brand power is improving, demonstrated by the narrowing of the price gap against our competitive benchmarks. In certain markets and segments, we're even exceeding them. We also received four gold awards in South Africa for sales and service quality—one in every customer satisfaction category.

The company is clearly investing more to secure growth. Last year we announced a 150 million dollars investment to introduce a full new product lineup in Brazil and Argentina. We're using Brazil as a laboratory to develop bio-ethanol and flexfuel technology, which is crucial because we know that mature markets like the United States and Europe are seriously considering ethanol and flexfuel as alternatives.

Fiscal 2007 will be another year of progress for us. We will launch a record eight new cars in the Middle East, including the Altima sedan and coupe, the Xterra, the Qashqai, the new Armada, and the new Navara. We are introducing six new models in the Maghreb region—another record.

We have also launched a new family of cars called the Livina. The Livina is a global car, but we're introducing it in GOM first. It's already being sold in China and Indonesia, with launches in several GOM countries to follow. As for the Infiniti brand, we will introduce the G37 coupe, the EX, and other models in the lineup. Our target this year is 6,000 units.

So, our GOM "revolution" continues. We feel good about the products, our local operations and business partners and, most importantly, our ability to deliver what customers expect from Nissan.

**New Showroom in Qatar opened in June 2007**

# INVESTMENT FOR THE FUTURE

**NISSAN RUNS FAST AND SURE ON THE HIGH ROAD OF TECHNOLOGY, USING A NEW R&D CENTER TO FOCUS OUR CREATIVE ENERGIES. WE ARE ALSO INVESTING BILLIONS IN PRODUCTION CAPACITY ABROAD, INCLUDING NEW PLANTS IN INDIA AND RUSSIA. DETERMINED TO BE A GLOBAL FORCE WITH A LOCAL PRESENCE, WE REGULARLY SOURCE PARTS AND SERVICES WHERE WE DO BUSINESS.**

# for the Future

## TECHNOLOGY

**MITSUHIKO YAMASHITA**
Executive Vice President

# Inspired Technology for the Environment, Safety and Driving Pleasure

**Nissan's R&D operations focus on providing our customers with consummate assurance of driving pleasure. That concept covers four technological facets: environment, safety, dynamic performance, and what we refer to as "life on board." We have set clear targets for each of these elements, and they are expressed in our short-term, mid-term, and long-term R&D plans.**

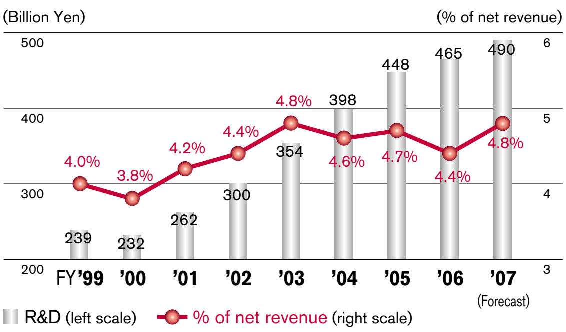
### For the environment

Last December we announced our mid-term environmental action plan, known as Nissan Green Program 2010. As outlined in this plan, we view the following three issues as paramount: reducing carbon dioxide ($CO_2$) emissions; minimizing emissions to preserve the atmosphere, water and soil; and the recycling of resources (reduce/reuse/recycle).

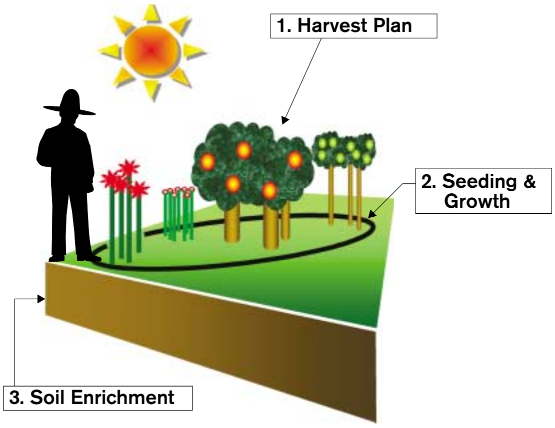
Among the many environmental challenges we face, the issue of reducing $CO_2$ emissions is one of our highest priorities. Nissan considers the gasoline engine the primary power plant for cars in the short- to mid-term, and we are developing technologies to enable gasoline-powered cars to significantly improve their fuel consumption. In practical terms, this will have a major impact because of the sheer number of gas-driven vehicles on the road. We are also working on "clean diesels," as well as cars that run on bio-ethanol fuels made from plants and other renewable resources. Concurrently, we are boosting our efforts to develop cars that will operate on electric power, such as hybrid and plug-in hybrid cars, fuel-cell vehicles and electric vehicles.

During fiscal 2007, we will introduce an engine to world markets that incorporates our VVEL or Variable Valve Event & Lift system. VVEL optimizes valve timing and lift, which results in more efficient airflow through the cylinder. Besides significantly improving responsiveness, this fine-tunes the balance between power and environmental performance, reducing $CO_2$ emissions by approximately 10 percent. We are developing a gasoline engine that emits the same level of $CO_2$ that diesel engines do, representing an overall reduction in $CO_2$ of approximately 20 percent. That engine will debut worldwide in fiscal 2010. The same year we will also introduce a "three-liter car" in Japan that can run approximately 100 kilometers on three liters of gasoline, exceeding 30 kilometers per liter, or more than 75 miles per gallon. This also slashes $CO_2$ emissions by about 30 percent, roughly equivalent to what a hybrid car achieves.

**R&D Expenditure**




**The Orchard Concept**



The diesel engines Nissan will offer will meet the strict emissions standards being established internationally at an early stage. In the first half of fiscal 2007, for example, we launched the Qashqai with the new Euro 4-compliant two-liter diesel engine for Europe. Starting in fiscal 2010, we will introduce clean diesel cars that satisfy the Post New Long-Term Emissions Regulations in Japan, Tier2 BIN5 in North America, Euro5 in Europe, and their equivalents. In North America, we will be launching a Nissan Maxima in 2010 powered by a clean-diesel engine co-developed by Nissan and Renault.

In the area of bio-ethanol, all our gasoline-driven vehicles sold globally are E10 compatible, meaning they can run on gasoline that includes 10 percent bio-ethanol fuel. In North America, we've had the Titan pickup, which is E85 compatible, in our lineup since 2005. We added the E85-compatible Armada flex-fuel vehicle in 2007. In three years we will also have an E100 flex-fuel vehicle ready for Brazil.

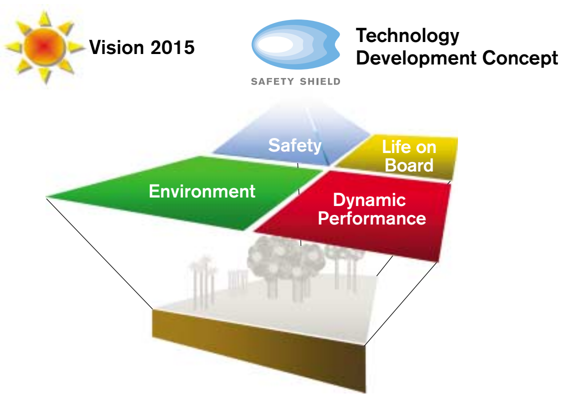
A car's transmission provides another way to cut emissions. Our CVTs, or continuously variable transmissions, can also improve fuel efficiency. Nissan has been the leader in this technology for some time, in fact, with CVT offerings for small- to large-displacement engines. We have already launched six gasoline engine models in Japan equipped with CVTs. All six have achieved the top rank for fuel economy performance. In fact, they already surpass the 2010 standards by 20 percent, and meet the highest standard for emissions, which is known as SU-LEV. Within the next fiscal year, we expect to sell more than a million vehicles equipped with CVTs globally.

For the coming era of electrically powered vehicles and electric motivation, we will introduce hybrid vehicles first, later accelerating our launches of fuel-cell vehicles and electric vehicles—FCVs and EVs, respectively. Furthermore, we have widely acknowledged strength in lithium-ion battery technology, one of the core technologies for electric-powered vehicles. We have been working in this area since 1992 and will further accelerate development.

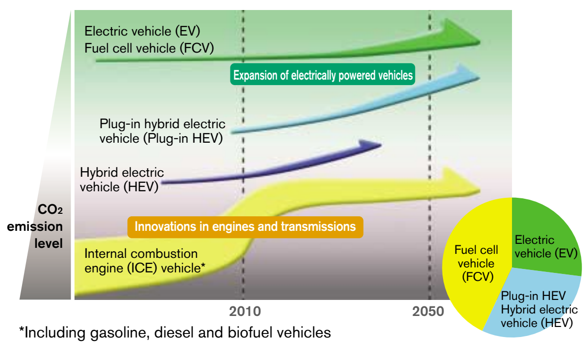
We are developing a hybrid car using our own proprietary hybrid system that will debut during fiscal 2010 in North America and Japan. We are promoting the development of a plug-in hybrid system as an effective technology for reducing $CO_2$ emissions.

As for FCVs, we have made several strides forward so far, such as development of our own stack and 70Mpa hydrogen tank. We've used these

**Vision 2015**




**Nissan's roadmap for reducing the $CO_2$ from our vehicles**




*Including gasoline, diesel and biofuel vehicles

Estimated breakdown of vehicles in 2050 by powertrain type

## TECHNOLOGY

to power the 2005 model X-TRAIL FCV, which has a range and acceleration comparable to those of its gasoline sibling. We will have a high-performance in-house stack for wider production application by the early part of the 2010s, starting with the U.S.—where a fueling infrastructure for hydrogen is currently being built—and then in Japan.

We think that EV use can be expanded from the first half of 2010, but we need to extend the range and establish a network of charging stations in collaboration with other industries. We will continue real-world testing in Japan until 2010. Our plan is to introduce a production version to the market in the early part of the decade, beginning in Japan.

The three core technologies for any electrically powered vehicle are the motor, battery and inverter. To achieve the objective of the Nissan Green Program 2010 plan, we will continue to improve their performance and reduce costs to a practical level.

Nissan has long been the leader in lithium-ion batteries for automobiles, and we've now established a joint-venture company with NEC to develop, manufacture and market these batteries. This joint venture will be producing an all-new lithium-ion battery that will set industry standards for superior performance and low cost. The batteries the new company produces will be used on the hybrids, EVs and FCVs. Some competitors have stopped lithium-ion battery development, primarily because of safety issues. Our lithium-ion battery is different from those our competitors have devised and has much better safety characteristics.

### For safety

Safety, of course, is another critical area, and our safe driving environment goal is to reduce the number of accidents to achieve the ultimate objective expressed in our Vision Zero plan. That goal is to cut the number of Nissan-related automobile accidents that resulted in fatalities and serious injuries in 1995 in half by 2015. And it's working. Fatalities and serious injuries among the 10,000 Nissan-related automobile accidents in 2004 declined by 27 percent, and in 2005 by 34 percent.

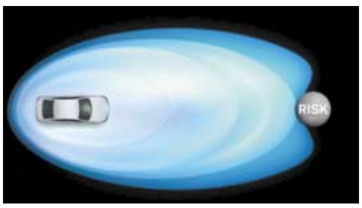
We have been promoting R&D based on our original concept, called the "Safety Shield," since 2004. The Safety Shield refers to active safety measures that use the vehicle itself to help avoid accidents. To clarify things, we've divided the accident "environment" into six categories: unforeseen risk, apparent risk, possible crash, unavoidable crash, actual crash, and post-crash.

**Safety Shield**

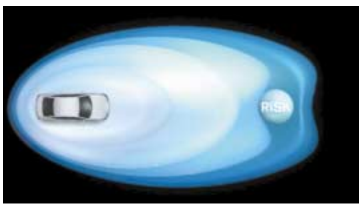
SAFETY SHIELD

The vehicle activates various technologies to help the driver, passengers and other road users avoid danger from normal driving conditions through post-accident conditions.

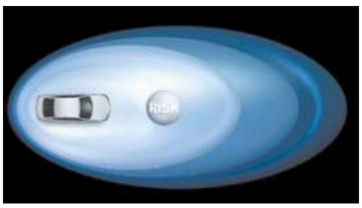
**Helps the driver maintain comfortable driving**




**Helps the driver return to a safe driving mode in dangerous conditions**




**Helps reduce injuries and damage when a collision is unavoidable**



Based on the risk factors for each category, our cars activate the optimal barrier and support functions to avoid the risk at hand. The fruits of our development in this area include "world's first" technologies such as the Distance Control Assist System, Lane-Departure Prevention, and Around View Monitor, all of which we'll be introducing during fiscal 2007.

Nissan is actively engaged in a wide range of initiatives to realize a safe driving environment, and we intend to widen our use of technology to address the hazards of driving while drunk. The severity of accidents caused by drunk driving has been increasing year after year, and naturally that attracts a great deal of public attention. Nissan is committed to preventing drunk driving both through technology and by educating drivers to the dangers of drinking and driving.

For example, we are carrying out trials of alcohol interlock equipment in collaboration with the local government. This system prevents the engine from starting when a sensor that analyzes the breath indicates that the driver is drunk. The updated CARWINGS navigation systems will also display a drunk-driving alert when the ignition is turned on to remind the driver of the hazards of driving while intoxicated by saying "Do not drive after drinking!"

### Dynamic performance and life on board

The third of our four key areas is dynamic performance. We want every Nissan customer to sense this phenomenon within thirty meters of putting the car in gear. We expect our customers to sense that dynamic performance, particularly in the following four scenarios: high quality when pulling away, a feeling of security while driving at higher speeds, an overall sensation of car and driver as one, and a feeling of exhilaration during acceleration. To achieve this state, we are continuously refining our powertrain and suspension technologies.

The last facet, "life on board," is a concept that relates to the total car experience. We are working constantly to perfect a luxurious interior with a cockpit that makes both inhabiting and driving a car comfortable, effortless and intuitive.

### The Alliance advantage

Our Alliance with Renault continues to work for us in many ways at the R&D stage. More and more of Nissan and Renault's total production is now covered by common platforms, a trend that will continue. By using the same powertrains, engines and transmissions, we also avoid duplicating product development and parts manufacture.

Seamless driving pleasure is what R&D can provide to Nissan customers. We remain committed to creating more value for our customers through developments in the four technological areas mentioned, and we believe this will in turn create greater value for our shareholders.

SU-LEV clean diesel


Passenger seat alcohol odor sensor in the anti drink—driving concept car

INDIA

**CARLOS TAVARES**
Executive Vice President

# Strategic and Competitive Market

**The Indian market is as strategic for Nissan as China was five or six years ago, and all our decisions are based on that view. It's a crucial market for the future and we are investing there for the long term. Driven by strong GDP growth in India, we expect the total industry volume to double to over two million units annually by 2011.**

While India isn't the most competitive market in terms of number of players, it is perhaps the world's most price-competitive one. It's a very protected market, and highly strategic because of this huge country's potential. Due to the high import taxes, you cannot import finished vehicles unless they are near-luxury cars. We are now importing the X-TRAIL and the Teana. However, to achieve long-term growth and sustainability in a market like India, you clearly cannot sell high volumes unless you manufacture locally.

In the car world, the B and C segments still have the biggest growth potential. We will be facing Korean and other Japanese competitors at first, but also going up against strong local manufacturers that have been in business for decades. The market leader holds a 50 percent share and imposes pricing pressure on the other players.

For near-luxury cars the market is much more open, but the volumes are small—between 1,000 and 10,000 cars annually, even with four or five cars in your portfolio. You can begin building your brand strategy and image with near-luxury models, but that won't build a complete and profitable business. At some point you need to push the higher-volume cars by making them locally.

For that reason, we've signed a memorandum of understanding (MOU)—with Mahindra & Mahindra and Renault to create a manufacturing joint venture in Chennai. The three partners signed another MOU with the Tamil Nadu government that secures an incentive package for the JV. Constructing such a deal ordinarily takes six to twelve months, but we did it in less than three. That was only possible because of the Renault-Nissan Alliance and the already strong dynamics between Renault and Mahindra.

We will be making two kinds of investments in Chennai, including some purely related to the JV and others in assets that Nissan will own. The JV's scope will probably be limited to manufacturing, the land, the power plant, and perhaps the stamping workshop. All three partners are investing in the welding lines, painting booth, trim and chassis lines, however, and to date we've jointly committed more than 900 million dollars.

The growth in exports will be much steeper than for domestic sales, so initially we're planning to use Chennai for exports. Our strategy is to pursue a two-step manufacturing approach, starting with one dedicated line at a plant capacity of 30 jobs per hour, which translates into 180,000 units per year. If everything goes well, we will go up to 45 or even 60 jobs per hour within three or four years. Although our plans for using India as an export base aren't finalized, potential targets are mature markets such as Europe, the U.S. and Japan.

Nissan will be entering a new price band through India. If we are frugal in the way we engineer, manufacture, and distribute our cars, we can compete effectively with Chinese manufacturers. That means leveraging the multiplier effect by combining excellent design-to-cost engineering with a well-designed supplier footprint, the most economical marketing and sales activity—in terms of fixed market expenses and direct incentives—and great logistics. In the entry-car world, only the people who excel in all those areas can survive.

Using the local supplier base is cost-competitive, and for vehicles sold locally, you're decreasing the


currency risk between your revenue footprint and your expense footprint. That's why it's so important to work with local people, and avoid shadow localization—just assembling parts from abroad.

Our dealership strategy is to build a dedicated Nissan network without buying the assets, so we're going to be making deals with specific partners that will own those dealerships. To meet our projected growth in India during the next decade, we will need to grow our dealer network significantly. We want to hedge the business risk in India by having one partner for manufacturing and a different one for distribution, because understanding local business practices and labor regulations, as well as managing union relationships and media relationships, are specific skills.

Using India as an LCC or leading competitive country is a huge challenge. First you need to have a localization rate of 90 percent or higher. That's possible if the powertrain is localized—at least the assembly and some core parts. Second, procure parts from the local supplier base. Third, don't just throw the specs on the table and ask your suppliers to build. That means leveraging the skills of our engineers, who will continue to shift their mindset. To compete successfully in India, we need to redesign our vehicle parts to adjust for local factory tools, the local way of doing things, and even different materials.

We will be making cars at Chennai for the segment in which the price pressure is highest—compacts. We plan to bring a family of small cars based on one specific small platform and progressively expand it for both domestic sales and exports. There is risk, but if you don't go to India there's a certainty that you'll be out of the low-end market—the price band below ten or eleven thousand dollars worldwide—which is enormous. Look at Russia. The market is moving so fast there. When we made the decision to build the St. Petersburg plant, we were just on the limits of being too late. The foreign makers are doing well there by importing finished vehicles, and this could last for one or two more years. However, if you're not localized in Russia by 2009, you'll be out for everything between ten and twenty thousand dollars. India is a similar game.


The signing of MOU with Mahindra & Mahindra, Renault and Nissan


Geographic expansion – India

FINANCIAL SECTION

# Financial Section

## Contents

# CONSOLIDATED FIVE-YEAR SUMMARY

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal Years 2006, 2005, 2004, 2003 and 2002*

| | Millions of yen (except per share amounts and number of employees) | | | | | Millions of U.S. dollars (Note 1) (except per share amounts) |
|---|---|---|---|---|---|---|
| For the years ended | **2006** **Mar. 31, 2007** | 2005 Mar. 31, 2006 | 2004 Mar. 31, 2005 | 2003 Mar. 31, 2004 | 2002 Mar. 31, 2003 | **2006** **Mar. 31, 2007** |
| Net sales | **¥10,468,583** | ¥ 9,428,292 | ¥8,576,277 | ¥7,429,219 | ¥6,828,588 | **$ 88,717** |
| Operating income | **776,939** | 871,841 | 861,160 | 824,855 | 737,230 | **6,584** |
| Net income | **460,796** | 518,050 | 512,281 | 503,667 | 495,165 | **3,905** |
| Net income per share (Note 2) | **112.33** | 126.94 | 125.16 | 122.02 | 117.75 | **0.95** |
| Cash dividends paid (Note 3) | **131,064** | 105,661 | 94,236 | 74,594 | 50,800 | **1,111** |
| Net assets (Note 4) | **¥ 3,876,994** | — | — | — | — | **$ 32,856** |
| Shareholders' equity (Note 4) | **—** | ¥ 3,087,983 | ¥2,465,750 | ¥2,023,994 | ¥1,808,304 | **—** |
| Total assets | **12,402,208** | 11,481,426 | 9,848,523 | 7,859,856 | 7,349,183 | **105,103** |
| Long-term debt | **1,956,661** | 2,225,603 | 1,963,173 | 1,694,793 | 1,603,246 | **16,582** |
| Depreciation and amortization | **771,223** | 655,402 | 525,926 | 461,037 | 371,125 | **6,536** |
| Number of employees | **186,336** | 183,356 | 183,607 | 123,748 | 127,625 | |

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars for convenience only, at ¥118 = $1, the approximate exchange rate on March 31, 2007.
2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2007: 4,520,715,112.
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.
4. Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet and related implementation guidance. Under the new accounting standard, net assets represent aggregate of previous shareholders' equity, share subscription rights and minority interests.

| **Sales and Production (units)** For the years ended | **2006** **Mar. 31, 2007** | 2005 Mar. 31, 2006 | 2004 Mar. 31, 2005 | 2003 Mar. 31, 2004 | 2002 Mar. 31, 2003 |
|---|---|---|---|---|---|
| **Global vehicle production** | **3,428,981** | 3,340,827 | 3,293,339 | 2,883,409 | 2,586,602 |
| Japan | **1,191,937** | 1,364,868 | 1,481,563 | 1,475,063 | 1,444,314 |
| United States | **716,211** | 808,586 | 803,556 | 619,665 | 392,458 |
| Mexico (Note 2) | **534,841** | 362,591 | 325,086 | 308,322 | 340,658 |
| Spain (Note 2) | **266,295** | 193,604 | 142,889 | 116,589 | 84,919 |
| United Kingdom | **384,669** | 315,297 | 319,652 | 331,924 | 297,719 |
| Others | **335,028** | 295,881 | 220,593 | 31,846 | 26,534 |
| **Global unit sales (wholesale)** | **3,699,747** | 3,537,614 | 3,470,422 | 2,946,782 | 2,635,686 |
| Japan | **716,405** | 810,968 | 819,152 | 799,206 | 792,767 |
| North America (Notes 1 and 2) | **1,444,039** | 1,369,630 | 1,394,099 | 1,204,882 | 1,040,684 |
| Europe (Note 2) | **741,701** | 597,250 | 554,901 | 548,693 | 458,222 |
| Others | **797,602** | 759,766 | 702,270 | 394,001 | 344,013 |

Notes; 1. Unit sales in Mexico are included in "North America".
2. In the annual reports for the fiscal year 2006, Sales and Production for Europe and Mexico are on January 2006 to March 2007.
(In the annual reports for the fiscal years 2005, 2004 and 2003, Sales and Production for Europe and Mexico was on January to December basis.)
(In the annual report for the fiscal year 2002, production for Europe and Mexico was on April to March basis.)

# BUSINESS AND OTHER RISKS

**With regard to disclosure in the Business Overview, Financial Information and other parts of this Securities Report, the salient items which may affect the decisions of our investors can be grouped under the following risk factors.**

**Any future forecasts included in the following descriptions are based on the estimates or judgment of Nissan as of June 25, 2007.**

### (1) Economic Factors

The demand for products manufactured by the Group is affected by the economic conditions in each country or market in which they are offered for sale. The Group conducts its operations all over the world and, in particular, in the major markets of North America, Europe and the Global Overseas Market, to say nothing of Japan. While the Group strives to develop a comprehensive and integrated projection of the global economic outlook, any greater-than-anticipated downturn in one of these markets may have a significant effect on the Group's financial position and results of operations.

### (2) Risks Involved in International Activities and Overseas Expansion

The Group's manufacturing and marketing activities outside Japan are conducted in the United States, Europe, and general overseas regions. The Group forecasts and evaluates a wide variety of risks inherent in doing business in such overseas markets including the following factors, each of which may entail a greater-than-anticipated level of risk, thereby causing significant effects on the Group's financial position and results of operations:

- Unfavorable political or economic factors
- Legal or regulatory changes
- Potentially adverse tax consequences
- Labor disputes including strikes
- Difficulties in recruiting and retaining personnel
- Social turmoil due to terrorism, war, or other destabilizing factors.

### (3) Research and Development

The Group's technology must be useful, pragmatic and easy to use. The Group anticipates the nature and scope of the market demand, and then prioritizes and invests in new technologies. Nonetheless, any sudden and greater-than-anticipated changes in its business environment or in customer preferences may impact negatively on customer satisfaction with these new technologies.

### (4) Product Defects

The Group places a high priority on safety and does its best to enhance safety from the standpoint of research and development, manufacturing and sales. Although the Group takes out insurance policies to cover product liability, this does not necessarily mean that all potential defects and the related liabilities are fully covered. If the Group were to implement significant recalls in volume and amount for the benefit of customers' safety, the Group would incur significant additional expenses which could adversely affect its financial position and results of operations.

### (5) Fluctuation in Foreign Currency Exchange Rates

The Group's Japanese operations export vehicles to various countries around the world. In general, the appreciation of the yen against other currencies adversely affects the Group's financial results of operations and, on the contrary, the depreciation of the yen against other currencies favorably affects the Group's financial results of operations. Any sharp appreciation of the currencies of countries where the Group manufactures vehicles against the yen could lead to increases in both procurement and production costs which would adversely affect the Group's competitiveness.

### (6) Derivatives

The Group utilizes derivative transactions for the purpose of hedging its exposure to risks such as fluctuations in the foreign exchange rates of its receivables and payables denominated in foreign currencies, the interest rates of interest-bearing debt and fluctuations in commodity prices. While the Group can hedge against these risks by using derivatives transactions, the Group, by so doing, may miss the potential gains which could result from seizing the market opportunities to profit from such fluctuation in exchange rates and interest rates. In addition, the Group manages its exposure to credit risk by limiting its counterparties to financial institutions with high credit ratings. However, a default by any one of these counterparties could have an adverse effect on the Group's financial position and operating results.

### (7) Lawsuits and Claims

With respect to various lawsuits and claims which the Group encounters, the possibility exists that the position defended by the Group will not be accepted and that the outcome may be significantly different from that anticipated. As a result, any such verdict or settlement could adversely affect the Group's financial position and operating results.

### (8) Government Regulations

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, fuel economy guidelines, noise level limitations and safety standards, and the Group expects these regulations to become increasingly stringent. In order to ensure compliance, it may be necessary for the Group to make significant ongoing investments in these areas which would have an impact on its financial position and results of operations.

### (9) Intellectual Property Rights

The Group owns a wide variety of proprietary technologies and has the expertise to differentiate the Group's products making them unique from those of its competitors. These assets have proven their value in the growth of the Group's business and will, no doubt, continue to be of value in the future. The Group strives to protect its intellectual property assets; however, in certain markets, the Group may encounter difficulty in fully protecting the proprietary rights to its own technologies.

Although the Company has established Intellectual Property Rights Management Department since April 2004 for protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights, and abstracting new intellectual property rights and has been performing various activities to protect and create Nissan Brand, cases may arise where the Group finds itself unable to prohibit others from infringing on its intellectual property rights.

### (10) Natural Disasters

The Group's corporate headquarters and many of its manufacturing facilities are located in Japan, where the statistically proven probability of earthquakes is higher than in many other countries. The

Group has developed risk management guidelines relating to earthquake damage and the CEO has organized a global task force to direct disaster prevention and recovery activities. In addition, the Group has been strengthening its manufacturing facilities with anti-seismic reinforcement. However, if a severe earthquake were to hit one of the Group's key facilities causing a halt in production, this would adversely affect the Group's financial position and results of operations.

**(11) Sales Financing Business Risk**

Sales financing is an integral part of the Group's core business, providing strong support to its automotive sales, while maintaining high profitability and a sound and stable financial condition through strict risk management policies. However, the sales financing companies have a high exposure to interest-rate risk, residual value risk, and credit risk, any one of which may adversely affect the Group's financial position and results of operations.

**(12) Counterparty Credit Risk**

The Group does business with a variety of counterparties and manages its counterparty credit risk by conducting a comprehensive annual assessment of its customers' financial condition based on their financial information. Nonetheless, any significant default by a counterparty would adversely affect the Group's financial position and results of operations.

**(13) Employee Retirement Benefit Expenses and Obligations**

The amounts of retirement benefit obligation and related expenses of the Group are calculated using various actuarial assumptions including the discount rate applied, the projected rate of return on plan assets, and so forth. If the Group's actual results differ from those assumptions or if the assumptions are changed, the resulting effects will be accumulated and recognized systematically over future periods. The cumulative effect could adversely impact the recognition of expenses and liabilities recorded in future periods.

**(14) Purchase of Raw Materials and Parts**

The Group purchases raw materials and parts from many suppliers. Market conditions that the Group can't control and whether or not the suppliers can procure raw materials and parts continuously may adversely affect the Group's financial position and results of operations.

# CORPORATE GOVERNANCE

**Basic corporate governance policy**

Corporate governance is an important responsibility of the Company's management, and its most important role is to clarify the duties and responsibilities of the members of the management team. At the Company, clear management objectives and policies are published for the benefit of the shareholders and investors, and achievements and results are announced early and with as much transparency as possible. The enhancement of corporate governance by full and fair disclosure is the responsibility of management.

**1. The Company's organization and the status of its internal control systems**

(1) The Company's organization

The Company's Board of Directors makes decisions on important business operations and supervises the execution of duties by the respective Directors. According to a resolution at the 108th annual meeting of shareholders held on June 20, 2007, the number of Directors has been increased from 9 to 10, of which one is an external Director. The structure of Board of Directors is simplified in the pursuit of more efficient and flexible management, and the authority for business execution is clearly delegated wherever possible to corporate officers and employees. Furthermore, the Executive Committee deliberates important corporate matters.

The Company adopts a Corporate Auditor system. The Board of Corporate Auditors consists of four Corporate Auditors, including three external Corporate Auditors. Three of the four Corporate Auditors are standing auditors. The Corporate Auditors conduct audits of the Directors' business execution in accordance with the auditing standards and policies determined by the Board of Corporate Auditors. In addition, the Company has set up the Corporate Auditors' Office, the staff of which assists the Corporate Auditors in conducting their duties.

(2) Status of the Company's internal control systems

The Company focuses on highly transparent management internally and externally, and aims to conduct consistent and efficient management to firmly achieve its specific commitments. Under this basic policy, the Company's Board of Directors has determined "systems to ensure proper and appropriate corporate operations" in accordance with the Company law and the Company law Enforcement Regulations, and appointed a Director in charge of general internal control. The summary and status of such systems are as follows.

i) Systems to ensure efficient execution of duties by the Directors

a. The Company has the Board of Directors, which makes decisions on important business operations and supervises the execution of duties by the respective Directors. The Board of Corporate Auditors conducts audits of the Directors' business execution.

b. The size of the Board of Directors is minimized to ensure efficient and flexible management, and the authority for business execution is clearly delegated wherever possible to corporate officers and employees.

c. The Company has the Executive Committee for deliberations on important corporate matters.

d. The Company has the Management Committee for deliberations on matters specific to a certain region or business field.

e. The Company has the Cross Functional Team (CFT) to encourage cross-functional activities. The CFT identifies tasks and challenges for the Company to address and shares them with each functional line.

f. The Company adheres to clear and transparent standards for the delegation of authority to expedite internal decision making and clarify the process of decision making.

ii) Systems to ensure that the execution of duties by the Directors and employees is compliant with applicable laws and regulations, as well as the Company's Articles of Corporation.

a. We take measures to familiarize all employees of domestic and foreign Group companies with the Nissan Global Code of Conduct.

b. We offer an extensive range of educational opportunities, including e-learning programs to ensure compliance with the Code of Conduct.

c. The Company's Directors and Corporate Officers are expected to follow the Compliance Guide for Directors and Corporate Officers.

d. The Global Compliance Committee was established to review the status of compliance with the Code of Conduct and the Compliance Guide so that they are fully obeyed.

e. The Easy Voice System is in operation to allow employees to freely communicate their opinions, questions and requests directly to a dedicated department.

f. Internal regulations, such as the Regulations for the Prevention of Global Insider Transactions and the Regulations for the Management of Private Information, have been established or enhanced, and educational programs are offered to raise awareness of and familiarize staff with these regulations.

g. We make ongoing efforts to reinforce internal control systems to maximize the accuracy and reliability of financial reports.

h. For effective and efficient oversight of the Company's overall activities, internal audit teams are organized to oversee the business activities at the Company and its group companies and inspect compliance with laws and regulations, the Articles of Incorporation and corporate ethics on a regular basis.

iii) Regulations and systems for managing risks of loss

a. We make efforts to detect risks as early as possible and craft and carry out appropriate measures to address such risks, and we seek to minimize their incidence and the damage caused when they do arise.

b. We make efforts to identify risks arising from the Company's and its group companies' activities from a variety of perspectives, and prioritize them on the basis of their frequency, damage and control level.

c. Members of the Executive Committee directly monitor risks that must be controlled at the corporate or cross-functional level by taking concrete measures, such as formulating risk management manuals, under their leadership.

d. Individual risks that are not at the corporate level are managed with the responsibility of the relevant sections by taking necessary measures on a daily basis to minimize the occurrence of such risks.

iv) Systems for storing and managing information associated with the performance of duties by the Directors
  a. In accordance with the applicable laws and rules of the Board of Directors, the minutes of the meetings of the Board of Directors that are related to the performance of duties by the Directors are stored and maintained in an appropriate manner.
  b. When the standards for delegation of authority apply for approvals that are required in the course of business execution at the Company's departments, such approvals are made electronically or in writing, and such records are stored and maintained in an appropriate manner.
  c. Information as mentioned above is under the strict confidentiality control of the relevant sections, and is available for inspection whenever so requested by the Directors and the Corporate Auditors out of necessity for business execution.
  d. We make efforts to enhance the regulations for information security and storage and maintenance of written documents to ensure the appropriate management of information and prevent leakage and inappropriate use of information.

v) Systems for ensuring the integrity of business activities at the Company and group companies
  a. For effective, efficient and unified management of the Group, the Management Committees are organized on a cross-company basis.
  b. Through the Management Committees, the Company delivers information to its group companies in Japan and overseas, and shares its management policies with them to help expedite their decision-making processes.
  c. The Company's group companies maintain clear and transparent standards for the delegation of authority.
  d. Under the Nissan Global Code of Conduct, the group companies formulate their own codes of conduct, and establish Compliance Committees to ensure legal compliance and enhance corporate ethics. The Global Compliance Committee carries out regular checks of the compliance situation at the group companies in Japan and overseas, working to strengthen the Company's legal and ethical functions. The group companies adopt the Easy Voice System to facilitate internal reporting on violations. This system allows employees to freely communicate their opinions, questions and requests directly to their companies or the Company.
  e. The Company's Internal Audit Office oversees the business activities at the group companies and monitors their situations of compliance with laws and regulation, and the status of risk management. Major group companies have their own internal audit teams, which carry out individual audit functions, under the control of the Internal Audit Office.
  f. The Company's Corporate Auditors regularly exchange information and opinions with the auditors of the group companies to ensure effective oversight of all of Nissan's activities groupwide.

vi) Matters concerning employees and their independency from the Directors when the Corporate Auditors ask employees to assist them in carrying out their duties.
  a. The Corporate Auditors' Office is organized as a unit to assist the operations of the Corporate Auditors. The Office is staffed with employees in administrative positions, who perform their duties under the direction of the Corporate Auditors.
  b. Appraisal of the employees placed in the Auditors' Office is made through discussions among the Corporate Auditors. The transfer of and disciplinary action against such employees require the prior consent of the Board of Corporate Auditors.

vii) Systems for the Directors and employees to report to the Corporate Auditors and other systems related to reporting to the Corporate Auditors
  a. The Corporate Auditors carry out audits according to the annual auditing plan that they design. The plan specifies the reporting of business activities by various units of the Company, according to which the Directors and the employees provide such reports.
  b. The Directors, whenever they discover facts that cause or might cause significant damage to the Company, report that directly to the Corporate Auditors.
  c. The Directors and the employees, whenever asked by the Corporate Auditors to report on the status of business activities, respond expeditiously.
  d. The Internal Audit Office delivers periodic reports on its audit plans and results to the Corporate Auditors.

viii) Other systems for ensuring the effective performance of audits by the Corporate Auditors
  a. To strengthen independency, more than half of the Company's Corporate Auditors are external auditors. The Corporate Auditors hold regular meetings to exchange and share information and opinions among themselves. They also meet for discussions whenever so required.
  b. The Representative Directors, including the President, and the Corporate Auditors hold regular meetings to exchange opinions on an extensive range of issues.

(3) Status of internal and corporate audits

In Japan, the Domestic Internal Audit Office, which is independent from other sections and comprises 11 staff, conducts internal audits of the Company's and its domestic consolidated subsidiaries' operations, under the President's direct control. With respect to foreign subsidiaries, an effective, efficient and global internal audit is conducted by the internal audit teams established in the management companies in each region, all of which are controlled by the Chief Internal Audit Officer (CIAO).

The Corporate Auditors oversee the business execution of the Directors by attending the Board of Directors' meetings and other significant meetings and hearing from the Directors on business activities regularly and whenever necessary. The Corporate Auditors also meet regularly with the Representative Directors to exchange opinions on an extensive range of issues. The Board of Corporate Auditors tries to enhance audit efficiency by sharing information among the Corporate Auditors. The Corporate Auditors also receive regular reports on the results of inspections and plans for future audits from, and exchange opinions with, the internal audit teams throughout the Company's organization, making use of this data as they craft their approaches. In addition, the Corporate Auditors receive such reports from the independent auditors, as well as reports on the status of the quality control of internal audits, to confirm whether their oversight is at a suitable level.

(4) Audit of financial statements

The Company appoints Ernst & Young ShinNihon as its independent auditors. The Certified Public Accountants engaged in the audits of financial statements are as follows:

| The name of the Certified Public Accountants engaged in the financial statement audit | |
|---|---|
| Designated and Engagement Partner | Yasunobu Furukawa |
| Designated and Engagement Partner | Kenji Ota |
| Designated and Engagement Partner | Yoji Murohashi |
| Designated and Engagement Partner | Takeshi Hori |

* As the years of continuous service in audit are less than seven years for all the Certified Public Accountants, the relevant statement is omitted.
* Ernst & Young ShinNihon has taken its own autonomous measures so that each Engagement Partner is not involved in the audit of the Company's accounting for a period over a predetermined tenure.

Assistants to the audit of the financial statements include 13 Certified Public Accountants, 22 junior accountants and four others, including system specialists.

(5) Relationships between external Directors and external Corporate Auditors and the Company

Shemaya Levy, the Company's external Director, had served as Senior Vice President of Renault from March 2002 to March 2004, and Renault held 44.3% of the shares of the Company's common stock as of March 31, 2007.

Takeo Otsubo and Toshiyuki Nakamura—the Company's external Corporate Auditors—have no particular business relationship with the Company.

Haruo Murakami, the Company's external Corporate Auditor, currently serves as a Part-Time Counselor for SOFTBANK TELECOM Corp. There are business transactions between SOFTBANK TELECOM and the Company: SOFTBANK TELECOM provided the Company with various services and facilities such as network maintenance and telephone lines during the fiscal year under review. However, Mr. Murakami himself does not have a direct business relationship with the Company.

(6) Number of Directors

The Company stipulates in the Articles of Incorporation that the number of Directors of the Company shall be six or more.

(7) Resolution requirement for election of Directors

The Company stipulates in the Articles of Incorporation that resolutions for the election of Directors shall be adopted by a majority vote of the shareholders present who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.

(8) Decision-making organization with respect to interim dividend

The Company stipulates in the Articles of Incorporation that the decision on the payment of interim dividend shall be made by the resolution of the Board of Directors for the purpose of returning profit to shareholders in a flexible manner.

(9) Decision-making organization with respect to acquisition of own shares

The Company stipulates in the Articles of Incorporation that the Company may, by resolution of the Board of Directors, acquire its own shares through market trading etc. as provided for in Article 165, Paragraph 2 of the Corporation Law for the purpose of implementing the Company's capital strategy in a flexible manner.

**2. Compensation paid to Directors and Corporate Auditors**

Compensation paid to the Company's Directors consists of a fixed amount of remuneration in cash and share appreciation rights as resolved at the 104th annual shareholders' meeting held on June 19, 2003. The cash remuneration is limited to a maximum of ¥2.6 billion per annum as resolved at the 106th annual shareholders' meeting held on June 21, 2005, and the amount to be paid to each Director is determined based on the business results and reflecting the firm's global competitiveness.

On the other hand, the share appreciation rights are given as incentives to the Directors to stimulate their motivation to the sustainable and profitable growth of the Company. This incentive is linked to the Company's medium- or long-term business results and is limited to the equivalent of 6 million shares of the Company's common stock per annum.

The remuneration paid to the Corporate Auditors is limited to a yearly amount of ¥120 million as resolved at the 106th annual shareholders' meeting held on June 21, 2005. This compensation is designed to promote stable and transparent auditing.

For the current fiscal year, the aggregate amount disbursed to the Directors and the Corporate Auditors was ¥2,518 million to nine Directors and ¥68 million to four Corporate Auditors. These amounts include a total amount of ¥45 million disbursed to an external Director and three external Corporate Auditors. In addition, share appreciation rights equivalent to 5.1 million shares were granted to eight Directors. (For reference, the fair value of these shares calculated using the share price when the appreciation rights were granted would be ¥222.30 per share.) The number of share appreciation rights authorized to be exercised will be decided in response to the predetermined achievement degree of each Director's performance targets, with the upper limit corresponding to the aforementioned 5.1 million shares.

**3. Remuneration to independent auditors**

Remuneration paid to the independent auditors is summarized as follows:

- Remuneration for services stipulated by the Certified Public Accountant Law, Article 2, Paragraph 1 (Law No. 103, 1948), for the current fiscal year: ¥521 million
- Remuneration for other services for the current fiscal year: ¥17 million

**4. Outline of the limited liability contract with external Directors and Corporate Auditors**

The Company's external Directors and Corporate Auditors hold a limited liability contract with the Company as stipulated by Article 423, paragraph 1, of the Company law. The contract prescribes that the maximum amount for which the external directors and auditors are liable shall be the higher of ¥5 million or the lowest limit specified by statute.

# CONSOLIDATED BALANCE SHEETS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal years 2006 and 2005*

| ASSETS As of | Millions of yen 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Thousands of U.S. dollars (Note 3) 2006 Mar. 31, 2007 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents (Note 19) | **¥ 469,388** | ¥ 404,212 | **$ 3,977,864** |
| Short-term investments (Note 19) | **16,792** | 22,149 | **142,305** |
| Receivables, less allowance for doubtful receivables (Notes 4 and 8) | **4,140,259** | 3,989,748 | **35,086,941** |
| Inventories (Note 5) | **1,004,671** | 856,499 | **8,514,161** |
| Other current assets | **861,776** | 749,646 | **7,303,187** |
| Total current assets | **6,492,886** | 6,022,254 | **55,024,458** |
| **Property, plant and equipment, at cost** (Notes 6, 8 and 16) | **9,226,537** | 8,516,356 | **78,190,992** |
| Less accumulated depreciation | **(4,349,349)** | (4,077,548) | **(36,858,890)** |
| Property, plant and equipment, net | **4,877,188** | 4,438,808 | **41,332,102** |
| **Investments and other assets** (Notes 8 and 19) | | | |
| Investment securities: | | | |
| Unconsolidated subsidiaries and affiliates | **362,407** | 351,667 | **3,071,246** |
| Other | **23,805** | 51,719 | **201,737** |
| Other assets | **645,922** | 616,978 | **5,473,915** |
| Total investments and other assets | **1,032,134** | 1,020,364 | **8,746,898** |
| **Total assets** | **¥12,402,208** | ¥11,481,426 | **$105,103,458** |

| LIABILITIES AND NET ASSETS (SHAREHOLDERS' EQUITY) As of | Millions of yen 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Thousands of U.S. dollars (Note 3) 2006 Mar. 31, 2007 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings and current portion of long-term debt (Note 8) | **¥3,147,832** | ¥2,592,289 | **$26,676,542** |
| Notes and accounts payable (Note 7) | **1,692,523** | 1,532,320 | **14,343,415** |
| Accrual for warranty costs | **92,279** | 81,112 | **782,025** |
| Accrued income taxes (Note 13) | **71,865** | 105,987 | **609,025** |
| Other current liabilities | **570,820** | 540,001 | **4,837,459** |
| Total current liabilities | **5,575,319** | 4,851,709 | **47,248,466** |
| **Long-term liabilities:** | | | |
| Long-term debt (Note 8) | **1,956,661** | 2,225,603 | **16,581,873** |
| Accrued retirement benefits (Note 9) | **194,494** | 267,695 | **1,648,254** |
| Accrual for warranty costs | **130,111** | 132,107 | **1,102,636** |
| Other long-term liabilities | **668,629** | 630,436 | **5,666,348** |
| Total long-term liabilities | **2,949,895** | 3,255,841 | **24,999,111** |
| **Minority interests** | **—** | 285,893 | — |
| **Net assets (Note 10):** | | | |
| Common stock, without par value: | | | |
| Authorized — 6,000,000,000 shares; | | | |
| Issued — 4,520,715,112 shares in 2006 | **605,814** | — | **5,134,017** |
| Capital surplus | **804,470** | — | **6,817,542** |
| Retained earnings | **2,402,726** | — | **20,362,085** |
| Less treasury stock, at cost; 409,296,746 shares in 2006 | **(226,394)** | — | **(1,918,593)** |
| Total shareholders' equity | **3,586,616** | — | **30,395,051** |
| Valuation, translation adjustments and others | **(41,379)** | — | **(350,670)** |
| Share subscription rights | **2,711** | — | **22,975** |
| Minority interests | **329,046** | — | **2,788,525** |
| Total net assets | **3,876,994** | — | **32,855,881** |
| **Commitments and contingencies (Note 17)** | | | |
| **Total liabilities and net assets** | **¥12,402,208** | — | **$105,103,458** |
| **Shareholders' equity (Notes 10 and 14):** | | | |
| Common stock, without par value: | | | |
| Authorized — 6,000,000,000 shares; | | | |
| Issued — 4,520,715,112 shares in 2005 | **—** | 605,814 | **—** |
| Capital surplus | **—** | 804,470 | **—** |
| Retained earnings | **—** | 2,116,825 | **—** |
| Unrealized holding gain on securities | **—** | 14,340 | **—** |
| Translation adjustments | **—** | (204,313) | **—** |
| | **—** | 3,337,136 | **—** |
| Less treasury stock, at cost; 422,762,529 shares in 2005 | **—** | (249,153) | **—** |
| Total shareholders' equity | **—** | 3,087,983 | **—** |
| **Commitments and contingencies (Note 17)** | | | |
| **Total liabilities and shareholders' equity** | **—** | ¥11,481,426 | **—** |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal Years 2006, 2005 and 2004*

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|
| *For the years ended* | **2006** *Mar. 31, 2007* | 2005 *Mar. 31, 2006* | 2004 *Mar. 31, 2005* | **2006** *Mar. 31, 2007* |
| **Net sales** | **¥10,468,583** | ¥9,428,292 | ¥8,576,277 | **$88,716,805** |
| **Cost of sales** (Notes 6 and 11) | **8,027,186** | 7,040,987 | 6,351,269 | **68,027,000** |
| Gross profit | **2,441,397** | 2,387,305 | 2,225,008 | **20,689,805** |
| **Selling, general and administrative expenses** (Notes 6 and 11) | **1,664,458** | 1,515,464 | 1,363,848 | **14,105,576** |
| Operating income | **776,939** | 871,841 | 861,160 | **6,584,229** |
| **Other income (expenses):** | | | | |
| Interest income | **24,313** | 17,359 | 14,934 | **206,042** |
| Interest expense | **(30,664)** | (25,646) | (26,656) | **(259,864)** |
| Equity in earnings of unconsolidated subsidiaries and affiliates | **20,187** | 37,049 | 36,790 | **171,076** |
| Other, net (Note 12) | **(93,343)** | (91,562) | (92,995) | **(791,042)** |
| | **(79,507)** | (62,800) | (67,927) | **(673,788)** |
| Income before income taxes and minority interests | **697,432** | 809,041 | 793,233 | **5,910,441** |
| **Income taxes** (Note 13)**:** | | | | |
| Current | **202,328** | 274,463 | 179,226 | **1,714,644** |
| Deferred | **9,834** | (20,055) | 78,837 | **83,339** |
| | **212,162** | 254,408 | 258,063 | **1,797,983** |
| **Minority interests** | **(24,474)** | (36,583) | (22,889) | **(207,407)** |
| **Net income** (Note 18) | **¥ 460,796** | ¥ 518,050 | ¥ 512,281 | **$ 3,905,051** |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal Year 2006*

| | Millions of yen | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *As of* | 2005 *Mar. 31, 2006* | | | Changes in fiscal year 2006 | | | | | | | | | | **2006** ***Mar. 31, 2007*** |
| | As previously reported | Reclas-sification (Note 2 (d)) | As restated | Cash dividends paid | Bonuses to directors and statutory auditors | Net income | Disposal of treasury stock | Purchases of treasury stock | Changes due to merger | Changes in the scope of consoli-dation | Changes in the scope of equity method | Net changes in items other than those in share-holders' equity | Total of changes in FY2006 | |
| Common stock | ¥ 605,814 | — | ¥ 605,814 | — | — | — | — | — | — | — | — | — | — | **¥ 605,814** |
| Capital surplus | 804,470 | — | 804,470 | — | — | — | — | — | — | — | — | — | — | **804,470** |
| Retained earnings | 2,116,825 | ¥(35,664) | 2,081,161 | ¥(131,064) | ¥(560) | ¥460,796 | ¥(3,477) | — | ¥361 | ¥(3,728) | ¥(763) | — | ¥321,565 | **2,402,726** |
| Unrealized holding gain on securities | 14,340 | (14,340) | — | — | — | — | — | — | — | — | — | — | — | **—** |
| Translation adjustments | (204,313) | 204,313 | — | — | — | — | — | — | — | — | — | — | — | **—** |
| Treasury stock (Note 10) * | (249,153) | — | (249,153) | — | — | — | 33,134 | ¥(10,375) | — | — | — | — | 22,759 | **(226,394)** |
| **Total shareholders' equity** | ¥3,087,983 | 154,309 | 3,242,292 | (131,064) | (560) | 460,796 | 29,657 | (10,375) | 361 | (3,728) | (763) | — | 344,324 | **3,586,616** |
| Unrealized holding gain on securities | — | 14,340 | 14,340 | — | — | — | — | — | — | — | — | ¥ (8,514) | (8,514) | **5,826** |
| Unrealized gain from hedging instruments | — | — | — | — | — | — | — | — | — | — | — | 1,817 | 1,817 | **1,817** |
| Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting | — | 49,915 | 49,915 | — | — | — | — | — | — | — | — | 19,008 | 19,008 | **68,923** |
| Land revaluation of foreign subsidiaries | — | 5,134 | 5,134 | — | — | — | — | — | — | — | — | (39) | (39) | **5,095** |
| Unfunded retirement benefit obligation of foreign subsidiaries | — | (19,385) | (19,385) | — | — | — | — | — | — | — | — | 5,559 | 5,559 | **(13,826)** |
| Translation adjustments | — | (204,313) | (204,313) | — | — | — | — | — | — | — | — | 95,099 | 95,099 | **(109,214)** |
| **Total valuation, translation adjustments and others** | — | (154,309) | (154,309) | — | — | — | — | — | — | — | — | 112,930 | 112,930 | **(41,379)** |
| **Share subscription rights** | — | 3,144 | 3,144 | — | — | — | — | — | — | — | — | (433) | (433) | **2,711** |
| **Minority interests** | — | ¥285,893 | 285,893 | — | — | — | — | — | — | — | — | 43,153 | 43,153 | **329,046** |
| **Total net assets** | — | — | ¥3,377,020 | ¥(131,064) | ¥(560) | ¥460,796 | ¥29,657 | ¥(10,375) | ¥361 | ¥(3,728) | ¥(763) | ¥155,650 | ¥499,974 | **¥3,876,994** |

* Treasury stock has decreased by 13,465,783 shares from 422,762,529 shares at March 31, 2006 to 409,296,746 shares at March 31, 2007.

| As of | 2005 Mar. 31, 2006 As previously reported | Reclassification (Note 2 (d)) | As restated | Changes in fiscal year 2006: Cash dividends paid | Bonuses to directors and statutory auditors | Net income | Disposal of treasury stock | Purchases of treasury stock | Changes due to merger | Changes in the scope of consolidation | Changes in the scope of equity method | Net changes in items other than those in shareholders' equity | Total of changes in FY2006 | 2006 Mar. 31, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Thousands of U.S.dollars* | | | | | | | | | | | | | |
| Common stock | $ 5,134,017 | – | $ 5,134,017 | – | – | – | – | – | – | – | – | – | – | **$ 5,134,017** |
| Capital surplus | 6,817,542 | – | 6,817,542 | – | – | – | – | – | – | – | – | – | – | **6,817,542** |
| Retained earnings | 17,939,195 | $(302,237) | 17,636,958 | $(1,110,712) | $(4,746) | $3,905,051 | $(29,466) | – | $3,059 | $(31,593) | $(6,466) | – | $2,725,127 | **20,362,085** |
| Unrealized holding gain on securities | 121,525 | (121,525) | – | – | – | – | – | – | – | – | – | – | – | **–** |
| Translation adjustments | (1,731,466) | 1,731,466 | – | – | – | – | – | – | – | – | – | – | – | **–** |
| Treasury stock (Note 10) * | (2,111,466) | – | (2,111,466) | – | – | – | 280,797 | $(87,924) | – | – | – | – | 192,873 | **(1,918,593)** |
| **Total shareholders' equity** | $26,169,347 | 1,307,704 | 27,477,051 | (1,110,712) | (4,746) | 3,905,051 | 251,331 | (87,924) | 3,059 | (31,593) | (6,466) | – | 2,918,000 | **30,395,051** |
| Unrealized holding gain on securities | – | 121,525 | 121,525 | – | – | – | – | – | – | – | – | $(72,153) | (72,153) | **49,372** |
| Unrealized gain from hedging instruments | – | – | – | – | – | – | – | – | – | – | – | 15,398 | 15,398 | **15,398** |
| Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting | – | 423,008 | 423,008 | – | – | – | – | – | – | – | – | 161,085 | 161,085 | **584,093** |
| Land revaluation of foreign subsidiaries | – | 43,508 | 43,508 | – | – | – | – | – | – | – | – | (330) | (330) | **43,178** |
| Unfunded retirement benefit obligation of foreign subsidiaries | – | (164,279) | (164,279) | – | – | – | – | – | – | – | – | 47,110 | 47,110 | **(117,169)** |
| Translation adjustments | – | (1,731,466) | (1,731,466) | – | – | – | – | – | – | – | – | 805,924 | 805,924 | **(925,542)** |
| **Total valuation, translation adjustments and others** | – | (1,307,704) | (1,307,704) | – | – | – | – | – | – | – | – | 957,034 | 957,034 | **(350,670)** |
| **Share subscription rights** | – | 26,644 | 26,644 | – | – | – | – | – | – | – | – | (3,669) | (3,669) | **22,975** |
| **Minority interests** | – | $2,422,822 | 2,422,822 | – | – | – | – | – | – | – | – | 365,703 | 365,703 | **2,788,525** |
| **Total net assets** | – | – | $28,618,813 | $(1,110,712) | $(4,746) | $3,905,051 | $251,331 | $(87,924) | $3,059 | $(31,593) | $(6,466) | $1,319,068 | $4,237,068 | **$32,855,881** |

* Treasury stock has decreased by 13,465,783 shares from 422,762,529 shares at March 31, 2006 to 409,296,746 shares at March 31, 2007.
See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal Years 2005 and 2004*

| | Millions of yen | |
|---|---|---|
| *For the years ended* | 2005 *Mar. 31, 2006* | 2004 *Mar. 31, 2005* |
| **Common stock** | | |
| Balance at beginning and end of the year | | |
| (4,520,715,112 shares) | ¥ 605,814 | ¥ 605,814 |
| **Capital surplus** | | |
| Balance at beginning and end of the year | ¥ 804,470 | ¥ 804,470 |
| **Retained earnings** | | |
| Balance at beginning of the year | ¥1,715,099 | ¥1,286,299 |
| Net income | 518,050 | 512,281 |
| Cash dividends paid | (105,661) | (94,236) |
| Bonuses to directors and statutory auditors | (573) | (404) |
| Other (Note 14) | (10,090) | 11,159 |
| Balance at end of the year | ¥2,116,825 | ¥1,715,099 |
| **Unrealized holding gain on securities** | | |
| Balance at beginning of the year | ¥ 7,355 | ¥ 4,392 |
| Net change during the year | 6,985 | 2,963 |
| Balance at end of the year | ¥ 14,340 | ¥ 7,355 |
| **Translation adjustments** | | |
| Balance at beginning of the year | ¥ (400,099) | ¥ (431,744) |
| Net change during the year | 195,786 | 31,645 |
| Balance at end of the year | ¥ (204,313) | ¥ (400,099) |
| **Treasury stock** | | |
| Balance at beginning of the year | ¥ (266,889) | ¥ (245,237) |
| Net change during the year | 17,736 | (21,652) |
| Balance at end of the year | ¥ (249,153) | ¥ (266,889) |
| Total shareholders' equity | ¥3,087,983 | ¥2,465,750 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
*Fiscal Years 2006, 2005 and 2004*

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|
| For the years ended | **2006** *Mar. 31, 2007* | 2005 *Mar. 31, 2006* | 2004 *Mar. 31, 2005* | **2006** *Mar. 31, 2007* |
| **Operating activities** | | | | |
| Income before income taxes and minority interests | **¥ 697,432** | ¥ 809,041 | ¥ 793,233 | **$ 5,910,441** |
| Depreciation and amortization relating to: | | | | |
| Leased assets | **305,402** | 236,572 | 157,346 | **2,588,153** |
| Other assets | **465,821** | 418,830 | 368,580 | **3,947,636** |
| Impairment loss | **22,673** | 26,827 | — | **192,144** |
| Provision for (reversal of) allowance for doubtful receivables | **9,996** | 4,561 | (6,464) | **84,712** |
| Loss on devaluation of securities | **459** | 212 | 128 | **3,890** |
| Interest and dividend income | **(25,546)** | (21,080) | (16,274) | **(216,492)** |
| Interest expense | **145,547** | 104,265 | 73,220 | **1,233,449** |
| Gain on sales of tangible fixed assets | **(28,485)** | (16,742) | (24,038) | **(241,398)** |
| Loss on disposal of fixed assets | **25,403** | 22,213 | 20,115 | **215,280** |
| Gain on sales of securities | **(3,566)** | (40,223) | (7,232) | **(30,220)** |
| Amortization of net retirement benefit obligation at transition | **10,928** | 11,145 | 11,795 | **92,610** |
| Provision for accrued retirement benefits | **55,438** | 63,564 | 65,103 | **469,814** |
| Retirement benefits paid | **(157,821)** | (314,349) | (82,924) | **(1,337,466)** |
| Other | **12,118** | 13,587 | (115) | **102,695** |
| Changes in operating assets and liabilities: | | | | |
| Notes and accounts receivable | **(114,960)** | 90,391 | 15,494 | **(974,237)** |
| Finance receivables | **44,341** | (311,685) | (794,349) | **375,771** |
| Inventories | **(88,765)** | (117,120) | (108,903) | **(752,246)** |
| Notes and accounts payable | **54,368** | 88,129 | 152,213 | **460,744** |
| Subtotal | **1,430,783** | 1,068,138 | 616,928 | **12,125,280** |
| Interest and dividends received | **24,622** | 21,034 | 16,098 | **208,661** |
| Interest paid | **(143,650)** | (102,219) | (71,318) | **(1,217,373)** |
| Income taxes paid | **(268,928)** | (229,084) | (192,293) | **(2,279,051)** |
| Net cash provided by operating activities | **1,042,827** | 757,869 | 369,415 | **8,837,517** |
| **Investing activities** | | | | |
| Decrease (increase) in short-term investments | **7,210** | 7,078 | (12,370) | **61,102** |
| Purchases of investment securities | **(17,117)** | (23,930) | (31,896) | **(145,059)** |
| Proceeds from sales of investment securities | **36,486** | 46,060 | 3,098 | **309,203** |
| Long-term loans made | **(12,625)** | (3,549) | (4,019) | **(106,992)** |
| Collection of long-term loans receivable | **4,211** | 3,225 | 4,860 | **35,686** |
| Purchases of fixed assets | **(546,848)** | (471,029) | (461,146) | **(4,634,305)** |
| Proceeds from sales of property, plant and equipment | **72,308** | 55,790 | 71,256 | **612,780** |
| Purchases of leased vehicles | **(957,356)** | (953,285) | (590,605) | **(8,113,186)** |
| Proceeds from sales of leased vehicles | **304,912** | 264,124 | 173,812 | **2,584,000** |
| Purchase of subsidiaries' shares resulting in changes in scope of consolidation (Note 15) | **(1,391)** | — | (1,292) | **(11,788)** |
| Proceeds from sales of subsidiaries' shares resulting in changes in scope of consolidation (Note 15) | **1,308** | 4,705 | 7,697 | **11,085** |
| Additional acquisition of shares of consolidated subsidiaries | **—** | (16,020) | (500) | **—** |
| Other | **(5,685)** | (25,924) | (23,930) | **(48,179)** |
| Net cash used in investing activities | **(1,114,587)** | (1,112,755) | (865,035) | **(9,445,653)** |
| **Financing activities** | | | | |
| Increase in short-term borrowings | **492,538** | 376,048 | 666,191 | **4,174,051** |
| Increase in long-term borrowings | **969,461** | 883,548 | 1,050,841 | **8,215,771** |
| Increase in bonds and debentures | **123,730** | 390,706 | 140,663 | **1,048,559** |
| Repayment of long-term borrowings | **(1,102,015)** | (809,466) | (765,588) | **(9,339,110)** |
| Redemption of bonds and debentures | **(190,515)** | (200,840) | (379,946) | **(1,614,534)** |
| Proceeds from minority shareholders | **260** | 1,321 | 30 | **2,203** |
| Purchases of treasury stock | **(10,375)** | (22,208) | (33,366) | **(87,924)** |
| Proceeds from sales of treasury stock | **29,087** | 26,423 | 6,816 | **246,500** |
| Repayment of lease obligations | **(66,775)** | (76,071) | (69,244) | **(565,890)** |
| Cash dividends paid | **(131,064)** | (105,661) | (94,236) | **(1,110,712)** |
| Cash dividends paid to minority shareholders | **(7,453)** | (6,487) | (678) | **(63,161)** |
| Other | **33** | 606 | (437) | **281** |
| Net cash provided by financing activities | **106,912** | 457,919 | 521,046 | **906,034** |
| **Effect of exchange rate changes on cash and cash equivalents** | **16,640** | 11,389 | 4,369 | **141,017** |
| **Increase in cash and cash equivalents** | **51,792** | 114,422 | 29,795 | **438,915** |
| **Cash and cash equivalent at beginning of the year** | **404,212** | 289,784 | 194,164 | **3,425,525** |
| **Increase due to inclusion in consolidation** | **13,384** | 6 | 65,825 | **113,424** |
| **Cash and cash equivalent at end of the year** | **¥ 469,388** | ¥ 404,212 | ¥ 289,784 | **$ 3,977,864** |

See notes to consolidated financial statements.

# 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:

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| As of | **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 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Thousands of U.S. dollars 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 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Millions of yen 2004 Mar. 31, 2005 | Thousands of U.S. dollars 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—¥611million), 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 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Thousands of U.S. dollars 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 2006 Mar. 31, 2007 | Millions of yen 2005 Mar. 31, 2006 | Thousands of U.S. dollars 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 ("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.

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:

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

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

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| For the years ended | **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:

| | For the years ended | **2006** Mar. 31, 2007 | 2005 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

| | *Thousands of shares* | | | |
|---|---|---|---|---|
| Types of share | Number of shares at March 31, 2006 | Increase | Decrease | Number of shares at March 31, 2007 |
| 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: | (Thousands of shares) |
|---|---|
| 1. Details of the increase are as follows: | |
| 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

| | | | *Number of shares to be issued (in thousands)* | | | | | |
|---|---|---|---|---|---|---|---|---|
| Company | Description | Type of shares to be issued | Number of shares at March 31, 2006 | Increase | Decrease | 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) |
| 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* | 2004 *Mar. 31, 2005* | **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* | **2006** *Mar. 31, 2007* |
| Deferred tax assets: | | | |
| 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:

| For the years ended | Millions of yen 2005 Mar. 31, 2006 | Millions of yen 2004 Mar. 31, 2005 |
|---|---|---|
| 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:

| For the year ended | Millions of yen 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:

| For the year ended | Millions of yen 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, 2007 for noncancelable operating leases are summarized as follows:

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

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

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

| For the years ended | Yen 2006 Mar. 31, 2007 | 2005 Mar. 31, 2006 | 2004 Mar. 31, 2005 | U.S. dollars 2006 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** |

| As of | Yen 2006 Mar. 31, 2007 | 2005 Mar. 31, 2006 | U.S. dollars 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 Carrying value | Estimated fair value | Unrealized gain (loss) | Thousands of U.S. dollars 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* Acquisition cost | Carrying value | Unrealized gain (loss) | *Thousands of U.S. dollars* 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:

| *For the years ended* | *Millions of yen* **2006** *Mar. 31, 2007* | 2005 *Mar. 31, 2006* | 2004 *Mar. 31, 2005* | *Thousands of U.S. dollars* **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<br>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* 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 | **¥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* Notional amount | Fair value | Unrealized gain (loss) | *Thousands of U.S. dollars* 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 |
| | *Millions of yen* | | | | |
| 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 |
| | *Thousands of U.S. dollars* | | | | |
| 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 |
| | *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, 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 |
| | *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 |

**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 ¥1,371million ($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

| | *Millions of yen* | | | *Thousands of U.S. dollars* | | |
|---|---|---|---|---|---|---|
| **Fiscal year 2006** ***(As of Mar. 31, 2007)*** | 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<br>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 |
| | *Millions of yen* | | | | | | |
| 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 |
| | *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 |

| | 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 |

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 |
| | *Millions of yen* | | | |
| Overseas sales | **¥4,410,531** | **¥2,023,772** | **¥1,829,617** | **¥ 8,263,920** |
| Consolidated net sales | | | | **10,468,583** |
| | *Thousands of U.S. dollars* | | | |
| 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 |
| | *Millions of yen* | | | |
| 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 |
| | *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% |

**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 ($1,177,881thousand).

## 22. SUBSEQUENT EVENT

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

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| 1.76% bonds in yen due 2012 | ¥65,000 | $550,847 |
| 1.95% bonds in yen due 2014 | 35,000 | 296,610 |

# REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG SHINNIHON

■ Certified Public Accountants
Hibiya Kokusai Bldg.
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C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel : 03 3503 1100
Fax: 03 3503 1197

The Board of Directors
Nissan Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income and cash flows for each of the three years in the period ended March 31, 2007, changes in net assets for the year ended March 31, 2007 and shareholders' equity for the years ended March 31, 2006 and 2005, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Motor Co., Ltd. and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

*Supplementary Information*

(1) As described in Note 2(a) and (b), effective April 1, 2005, the Company and certain domestic consolidated subsidiaries changed their method of accounting for forward exchange contracts and adopted a new accounting standard for the impairment of fixed assets.
(2) As described in Note 2(d), effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet.
(3) 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, 33 consolidated subsidiaries have changed their fiscal year end to March 31.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon

June 20, 2007

# NON-CONSOLIDATED FIVE-YEAR SUMMARY

Nissan Motor Co., Ltd.
*Fiscal years 2006, 2005, 2004, 2003 and 2002*

| | Millions of yen (except per share amounts and number of employees) | | | | | Millions of U.S. dollars (Note 1) (except per share amounts) |
|---|---|---|---|---|---|---|
| For the years ended | **2006** **Mar. 31, 2007** | 2005 Mar. 31, 2006 | 2004 Mar. 31, 2005 | 2003 Mar. 31, 2004 | 2002 Mar. 31, 2003 | **2006** **Mar. 31, 2007** |
| Net sales | **¥3,608,934** | ¥3,895,553 | ¥3,718,720 | ¥3,480,290 | ¥3,419,068 | **$30,584** |
| Operating income | **185,561** | 254,159 | 231,764 | 245,836 | 316,059 | **1,573** |
| Net income | **79,481** | 240,593 | 102,415 | 80,713 | 72,869 | **674** |
| Net income per share (Note 2) | **18.01** | 54.88 | 23.24 | 18.15 | 16.09 | **0.15** |
| Cash dividends paid (Note 3, 4) | **34.00** | 29.00 | 24.00 | 19.00 | 14.00 | **0.29** |
| Net assets (Note 5) | **¥1,775,413** | — | — | — | — | **$15,046** |
| Shareholders' equity (Note 5) | **—** | ¥1,827,030 | ¥1,685,893 | ¥1,709,705 | ¥1,798,716 | **—** |
| Total assets | **3,804,369** | 3,845,041 | 3,981,914 | 4,055,579 | 3,933,993 | **32,240** |
| Long-term debt | **417,220** | 508,463 | 489,151 | 653,392 | 902,118 | **3,536** |
| Depreciation and amortization | **133,493** | 127,543 | 115,180 | 102,107 | 56,760 | **1,131** |
| Number of employees | **32,489** | 32,180 | 32,177 | 31,389 | 31,128 | |

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥118=$1, the approximate exchange rate on March 31, 2007.
2. Net income per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2007: 4,520,715,112
3. Cash dividends paid represent the amounts proposed by the board of Directors as applicable to the respective years, together with the interim cash dividends paid.
4. Cash dividends applicable to fiscal year 2006 is ¥34 per share.
5. Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet and related implementation guidance. Under the new accounting standard, net assets represent aggregate of previous shareholders' equity and share subscription rights.

# INFORMATION ON SUBSIDIARIES AND AFFILIATES

**Consolidated subsidiaries**

*As of Mar. 31, 2007*

| *Subsidiary* | *Location* | *Principal business* | *Capital (millions)* | *The company's share-holding*(%)* |
|---|---|---|---|---|
| **Japan** | | | | |
| Nissan Shatai Co., Ltd. | Hiratsuka, Kanagawa | Manufacture and sales of automobiles and parts | ¥7,905 | 43.09 |
| Aichi Machine Industry Co., Ltd. | Nagoya, Aichi | Manufacture and sales of automotive parts | ¥8,518 | 41.47 |
| JATCO Ltd. | Fuji, Shizuoka | Manufacture and sales of automotive parts | ¥29,935 | 74.96 |
| Nissan Kohki Co., Ltd. | Samukawa, Kanagawa | Manufacture and sales of automotive parts | ¥2,020 | 97.73 |
| Calsonic Kansei Corporation | Tokyo | Manufacture and sales of automotive parts | ¥41,455 | 41.47 |
| Nissan Motor Car Carrier Co., Ltd. | Tokyo | International automobile transport | ¥640 | 60.00 |
| Nissan Trading Co., Ltd. | Yokohama, Kanagawa | Import and export of automobiles, parts, etc. | ¥320 | 100.00 |
| Nissan Financial Services Co., Ltd. | Chiba, Chiba | Automobile financing and leasing | ¥16,388 | 100.00 |
| Autech Japan, Inc. | Chigasaki, Kanagawa | Development, manufacture and sales of limited-edition automobiles | ¥480 | 100.00 |
| Nissan Network Holdings Corporation | Tokyo | Real estate sales, purchase and leasing | ¥1,510 | 100.00 |
| Nissan Finance Co., Ltd. | Tokyo | Finance and accounting support | ¥2,491 | 100.00 |
| Aichi Nissan Motor Co., Ltd. | Nagoya, Aichi | Sales of automobiles and parts | ¥90 | 100.00 |
| Nissan Tokuhan Co., Ltd. | Tokyo | Sales of automobiles and parts | ¥480 | 100.00 |
| Nissan Prince Tokyo Motor Sales Co., Ltd. | Tokyo | Sales of automobiles and parts | ¥95 | 100.00 |
| Nissan Chuo Parts Sales Co., Ltd. | Yokohama, Kanagawa | Sales of automobiles and repair parts | ¥545 | 80.61 |
| **US** | | | | |
| Nissan North America, Inc. | Nashville, Tennessee | Management of North American subsidiaries, manufacture and sales of automobiles and parts | $1,792 | 100.00 |
| Nissan Motor Acceptance Corporation | Nashville, Tennessee | Finance of wholesale and retail automobile sales in US | $500 | 100.00 |
| Nissan Technical Center North America, Inc. | Farmington Hills, Michigan | Research and development, testing | $16 | 100.00 |
| Nissan Motor Insurance Corporation | Honolulu, Hawaii | Casualty insurance | $10 | 100.00 |
| Nissan Forklift Co., North America | Marengo, Illinois | Manufacture and sales of forklifts and parts | $34 | 100.00 |
| **Canada** | | | | |
| Nissan Canada, Inc. | Mississauga, Ontario | Sales of automobiles and parts | CAN$68 | 100.00 |
| **Mexico** | | | | |
| Nissan Mexicana, S.A. de C.V. | Mexico D.F. | Manufacture and sales of automobiles and parts | P17,056 | 100.00 |

| | | | | |
|---|---|---|---|---|
| **Europe** | | | | |
| Nissan Europe S.A.S. | Trappes, France | Management of European manufacturing and sales | €1,626 | 100.00 |
| Nissan International Finance (Netherlands) B.V. | Amsterdam, The Netherlands | Financing for group companies | €14 | 100.00 |
| Nissan West Europe S.A.S | Trappes, France | Sales of automobiles and parts | €4 | 100.00 |
| Nissan International Holding B.V. | Amsterdam, The Netherlands | Holding company for subsidiaries | €2,795 | 100.00 |
| Nissan Motor (GB) Ltd. | Rickmansworth, UK | Sales of automobiles and parts | £136 | 100.00 |
| Nissan Holding (UK) Ltd. | Sunderland, UK | Holding company for English subsidiaries | €871 | 100.00 |
| Nissan Italia S.p.A. | Rome, Italy | Sales of automobiles and parts | €6 | 100.00 |
| Nissan Motor Manufacturing (UK) Ltd. | Sunderland, UK | Manufacture and sales of automobiles and parts | £250 | 100.00 |
| Nissan Technical Center Europe Ltd. | Cranfield, UK | Research and development, testing | £16 | 100.00 |
| Nissan Forklift Europe B.V. | Amsterdam, The Netherlands | Sales of forklifts and parts | €7 | 100.00 |
| Nissan Motor Iberica, S.A. | Barcelona, Spain | Manufacture and sales of automobiles and parts | €726 | 99.76 |
| Nissan Iberia, S.A. | Barcelona, Spain | Sales of automobiles and parts | €12 | 100.00 |
| Nissan Forklift Espana, S.A. | Noain, Spain | Manufacture and sales of forklifts and parts | €9 | 100.00 |
| **Australia** | | | | |
| Nissan Motor Co. (Australia) Pty. Ltd. | Dandenong, Victoria | Sales of automobiles and parts | A$290 | 100.00 |
| **New Zealand** | | | | |
| Nissan New Zealand Ltd. | Auckland | Managing of New Zealand subsidiaries; automobile sales | NZ$51 | 100.00 |
| **South Africa** | | | | |
| Nissan Motor Company South Africa (Pty) Ltd. | Rosslyn | Managing of South African subsidiaries; automobile manufacturing and sales | R40 | 100.00 |
| **Middle East** | | | | |
| Nissan Middle East F.Z.E. | Dubai, UAE | Automobile sales | Dh2 | 100.00 |
| **China** | | | | |
| Nissan Motor (China) Ltd. | Hong Kong | Automobile sales | HK$16 | 100.00 |
| Dongfeng Motor Co., Ltd. | Hubei | Manufacture and sales of automobiles and parts | RMB16,700 | 50.00 |
| Nissan China Investment Co., Ltd. | Beijing | Managing of Chinese subsidiaries; automobile sales | RMB8,401 | 100.00 |
| **Taiwan** | | | | |
| Yulon Nissan Motor Co., Ltd. | Miao Li Hsien | Manufacture and sales of automobiles and parts | TWD3,000 | 40.00 |
| **Thailand** | | | | |
| Siam Nissan Automobile Co., Ltd. | Samuthprakarn | Manufacture and sales of automobiles and parts | THB1,931 | 75.00 |

| | |
|---|---|
| Other consolidated subsidiaries | 144 companies |
| Total consolidated subsidiaries | 188 companies |

*Percent of voting rights held by Nissan Motor Co., Ltd.

**Subsidiaries and affiliates accounted for by the equity method**

*As of Mar. 31, 2007*

| *Subsidiary and affiliate* | *Location* | *Principal business* | *Capital (millions)* | *The company's share-holdings*(%)* |
|---|---|---|---|---|
| **Japan** | | | | |
| Kinugawa Rubber Industrial Co., Ltd. | Chiba, Chiba | Manufacture and sales of automotive parts | ¥5,655 | 20.28 |
| **France** | | | | |
| Renault | Billancourt | Manufacture and sales of automobiles and parts | €1,086 | 15.42 |

| | |
|---|---|
| Other subsidiaries and affiliates accounted for by the equity method | 45 companies |
| Total subsidiaries and affiliates accounted for by the equity method | 47 companies |

*Percent of voting rights held by Nissan Motor Co., Ltd.

# CORPORATE OFFICERS

Chief Executive Officer
**Carlos Ghosn**
Global Communications, CSR and IR
Global Internal Audit
Treasury

Chief Operating Officer
**Toshiyuki Shiga**
Japan Operations (MC-J)
Human Resources

Executive Vice President
**Itaru Koeda**
MC-Dealer
Domestic Network Management
Administration for AFLs (MC-AFL)
External and Government Affairs
Intellectual Asset Management
Industrial Machinery
Marine

Executive Vice President
**Hiroto Saikawa**
American Operations (MC-America & MC-US)
Purchasing

Executive Vice President
**Mitsuhiko Yamashita**
Research and Development
TCSX (Total Customer Satisfaction Function)

Executive Vice President
**Carlos Tavares**
Corporate Planning
Product Planning
Market Intelligence
Brand Management
Design
Program Management
LCV Business
Infiniti Business
Control

Executive Vice President
**Hidetoshi Imazu**
European Operations (MC-E)
Manufacturing
SCM

Vice Chairman
**Tadao Takahashi**
External and Government Affairs
Intellectual Asset Management

Senior Vice Presidents
**Shiro Nakamura**
**Kazuhiko Toida**
**Kimiyasu Nakamura**
**Junichi Endo**
**Hitoshi Kawaguchi**
**Minoru Shinohara**
**Yo Usuba**
**Shigeo Shingyoji**
**Yoshiaki Watanabe**
**Colin Dodge**
**Kazumasa Katoh**
**Philippe Klein**
**Toshiharu Sakai**

Corporate Vice Presidents
**Asako Hoshino**
**Akira Kaetsu**
**Akira Sato**
**Toshio Aoki**
**Yasuaki Hashimoto**
**Shoichi Miyatani**
**Keiichi Murata**
**Shuichi Otani**
**Simon Sproule**
**Celso Guiotoko**
**Shigeaki Kato**
**Haruyoshi Kumura**
**Akihiro Otomo**
**Andy Palmer**
**Emmanuel Delay**
**Akihiro Ishiwatari**
**Thomas Lane**
**Gilles Normand**
**Atsushi Shizuta**
**Joji Tagawa**
**Thierry Viadieu**
**Yasuhiro Yamauchi**
**Toshifumi Hirai**
**Atsushi Hirose**
**Takao Katagiri**
**Mark McNabb**
**Masaaki Nishizawa**

Fellow
**Kimio Tomita**

(As of June 20, 2007)

# INFORMATION

## FOR FURTHER INFORMATION, PLEASE CONTACT

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