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## usiness Overview

### DOMESTIC BUSINESS

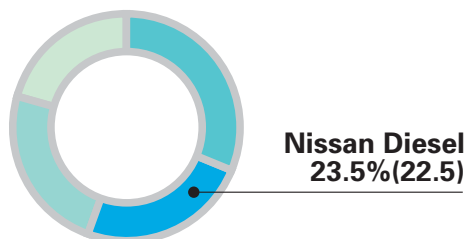


Overall domestic demand for ordinary trucks in fiscal 2005 was up approximately 5.9% from the previous fiscal year to 105,504 units. Of this number, the Company recorded 19,750 registered vehicles (108.6% of the previous fiscal year), increasing its market share by 0.4% to 18.7%. In addition, the "Quon," a heavy-duty truck that is in compliance with Japan's new long-term diesel emissions regulation was added to the product line-up in July 2005. The Company took advantage of this opportunity to focus on the sale of heavy-duty trucks, and as a result, we were able to increase the number of registered heavy-duty Nissan Diesel trucks exceeding eight tons in weight by 17.5% to 11,118 units during the fiscal 2005. Moreover, the Company increased its share of this market by 1.0% to 23.5%, making us the third largest manufacturer in the industry. Also, the number of registered tractors increased by 20.2% from the previous fiscal year to 3,145 units, or an increase of 2.0% in market share to 31.5%. This makes the Company the second largest manufacturer in this business segment.



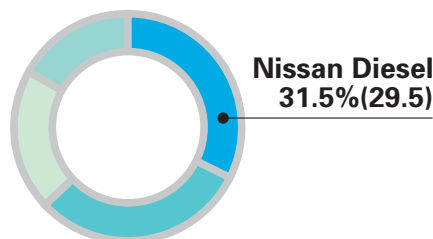
Keishi Abe  
Senior Managing Director

Number of Registered Trucks Exceeding Eight Tons  
FY05



Figures in parentheses are from last year

Number of Registered Tractors in 2005  
FY05



Figures in parentheses are from last year



The Quon Tractor

**Full line-up is completed with the addition of the heavy-duty truck, "Quon."**

With the addition of the Quon heavy-duty tractor in July 2005, Nissan Diesel completed the full Quon line-up, which also includes the 25-ton Quon truck that was put on the market in November 2004, the six-vehicle 151-combination system Quon truck that was put on the market in May 2005, and the Quon snowplow truck that was put on the market in June 2005. As a result, all heavy-duty trucks with payloads greater than 8 tons manufactured by the Company now fall under the Quon brand and these trucks all comply with Japan's 2005 new long-term diesel emissions regulation.

In fact, the Quon is Japan's first truck that complies with the 2005 new long-term diesel emissions regulation<sup>1</sup>, which was achieved by the installation of the world's first urea selective catalytic reduction (SCR) system, called "FLEND<sup>2</sup>," that purifies exhaust emissions. The Quon also boasts a fully remodeled cab area.

<sup>1</sup> The levels for NOx and PM associated with Japan's 2005 new long-term diesel emissions regulation are as follows:  
NOx: 2.0g/kwh, PM0.027g.kwh  
<sup>2</sup> FLEND<sup>2</sup> stands for Final Low Emission New Diesel System

## The Quon heavy-duty truck receives numerous awards

Nissan Diesel's Quon heavy-duty truck has not only received praise from customers for its product performance, but has also received praise from various other parties as evidenced by the number of awards it has been presented with over the past year.

### Quon Receives Good Design Award 2005

#### The Quon Design Concept

The Quon was designed around the concept of a "smart worker – a truck that works intelligently to make money." The design fuses the "cleanness" borne from Nissan Diesel's tradition of environmental stewardship backed by superb environmental performance with the "smartness and stalwart power" of a next-generation working truck that boasts a high level of intelligence. The interior of the truck was created via a universal design strategy that achieves advanced levels of safety and comfort.

#### About the Good Design Awards

The Good Design Awards constitute Japan's only comprehensive system for evaluating and encouraging good design. The awards originate from the Good Product Design Selection System (popularly known as the G-Mark System) established in 1957 by the then Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry). This program continues the process of selecting a certain number of superbly designed items every year and recommending them to consumers, industries and others with the aim of contributing to the further enrichment of society as a whole.

### Quon Receives 2005 Nikkei Superior Products and Services Awards for Excellence

The Quon received the 2005 Nikkei Superior Products and Services Awards for Excellence at an event hosted by the Nihon Keizai Shimbun. The Nikkei Superior Products and Services Award is given out once per year to those new products and services that are selected on the basis of superior performance. This year's awards marked the 24th time they have been handed out since their start in 1982. The unique part of this program is that the products and services are not nominated for selection. Rather, members of Nihon Keizai Shimbun review approximately 20,000 new products and services and from these select a very few for the Nikkei Superior Products and Services Award.

## The sale of large buses equipped FLENDs that are in compliance with Japan's 2005 new long-term diesel emissions regulation

In June 2005, Nissan Diesel began the sale of the SPACERUNNER RA Series, a large bus that can be used as a route bus or a private bus designed, and is also Japan's first large bus with a single diesel engine which is in compliance with the 2005 new long-term diesel emissions regulation. In addition, the Company began sales in July 2005 of the SPACEARROW, a vehicle that can be used as an intercity highway bus or a tourist bus, and the SPACEWING, a tourist bus, both of which are the first in their class to comply with the 2005 new long-term diesel emissions regulation.

All of the above large buses are equipped with FLENDs, the urea SCR system that combines ultrahigh-pressure fuel injection with a urea SCR catalyst. In fact, all of large buses now sold by Nissan Diesel are in compliance with Japan's 2005 new long-term diesel emission regulations. Moreover, the SPACERUNNER RA, a heavy-duty fixed-route bus, was not only designed to meet new regulatory requirements but also designed around a universal



The Quon



Good Design Award 2005



The Quon Interior



The SPACEARROW

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SPACERUNNER RA

system that makes it user-friendly for anyone. For example, the step height of the bus was lowered and the non-step area was increased.

Also on the SPACEARROW, a vehicle that can be used as an intercity highway or tourist bus, and the SPACEWING, a tourist bus, a six-speed automatic transmission with a built-in retarder comes standard. This results in a quieter interior and less fatigue on bus drivers.

### Nissan Diesel establishes Crossnet Co., Ltd., a new company specializing in the sale of used vehicles

As outlined in the Company's medium-term business plan (PFV: Plan For Vision), Nissan Diesel is working to expand its value chain business including the sale of used vehicles in order to revolutionize the domestic business system. As part of this strategy, Nissan Diesel announced the establishment of Crossnet Co., Ltd. on February 2, 2006 with the goal to grow and expand revenues from the used vehicle business.

The new company will act as the control center for the Group's overall used vehicle business. It will combine sales functions such as buying, inventory management and exports in the past handled by direct sales companies and related companies with the used vehicle support functions handled by Nissan Diesel. Crossnet will place offices at every location in Japan where a direct sales company office exists. This is so that the most up-to-date market information can be received and accurate central control functions can be implemented, which enables the sale of optimal vehicles to customers.

In addition to the traditional sales method of using Customer Advisors (CAs), the new company will act as the main inquiry window for major clients for the buying and selling of used vehicles. The Company also plans to utilize the Internet to perform purchasing activities.

### The number of units sold with the "Genuine Custom Paint" system exceeds 10,000

Since beginning the "Genuine Custom Paint" service in February 2002, Nissan Diesel has sold over 10,000 units that utilize the service. The service allows customers to select a paint color before the cab is assembled at the plant. For truck users, the color and design of the cab paint are an expression of their corporate philosophy and corporate identity (CI). It also is a way of advertising their company on the road. It is a highly important issue for management strategy and can help differentiate companies from their competitors.

To mark this occasion, the Company held a celebration ceremony on February 24, 2006 at the Ageo Plant with 1,200 employees. Nissan Diesel plans to continue enhancing this original, revolutionary service in order to meet customer needs and expand vehicle sales.

#### Features of Genuine Custom Paint Service

- It is common to see truck painting done after the product is sold by the manufacturer. By including the cab painting process within the Company's production lines and storing customer cab colors in a database, custom vehicles can be painted with a consistent design using high quality paints, and those vehicles can be delivered to the client.

- Another feature of the custom paint process is that the actual painting is done prior to the parts being assembled. For this reason, a more thorough paint job can be achieved as compared to after-market paint jobs where not



Celebration Ceremony

all areas can be feasibly accessed. No unpainted areas are left over in such detailed places as the front lid and the door aperture.

- The painting process begins by electro-painting with a primer coat. Afterwards, a specialized second coat compound is painted on. The finish coat is where specified colors are utilized. Once painting is completed, the parts go through a high-temperature paint baking process for a significant amount of time. This ensures strong weatherability and rust-resistance for a long period of time without color fading.
- In addition to the 127 recommended colors that can be utilized, original color tones can be created if and when specified by the customer (approximately 2,300 colors are available). Orders for a single vehicle can also be accommodated.
- Furthermore, customers can request more than one color (two or three colors) or metallic paints, and have linear designs placed on the paint job. As one can see, the Genuine Custom Paint service is a flexible system that meets a variety of needs through the best tools and advanced technologies.



Genuine Custom Paint Line

## Quon participates in a variety of environmental-related events

### Challenge Bibendum Forum and Rally

The Challenge Bibendum Forum and Rally, which is hosted by Michelin, is one of the world's largest environmental-related events that bring eco-cars to the world's cities. The event revolves around the epic concept of "discussing sustainable mobility for the next hundred years."

The event was held in Kyoto from June 8<sup>th</sup> to 9<sup>th</sup>, 2005. Nissan Diesel participated as the first truck maker to attend such an event. Appropriately for an eco-event, the start of the rally was the Kyoto International Conference Hall where the Kyoto Protocol was adopted and the end point was the site of the Expo 2005 Aichi Japan. Under the critical eye of more than 140 journalists from around the world, the Company's diesel engine vehicles were praised for their low emission technologies and adoption of the urea SCR system.



Challenge Bibendum Forum and Rally

### Eco-Products 2005

The Eco-Products event is Japan's largest environment-related event where environment-friendly products and services are introduced to the public. The seventh annual event held in 2005 boasted 502 exhibitors (companies and groups) and brought in a record 140,000 visitors. This reflected the change in mood in recent years on environmental issues, from being an issue on the sideline to becoming one of the most important topics in society today.

Nissan Diesel exhibited its first heavy-duty truck at the event. The Company's exhibit also had an audio presentation and panel display that introduced visitors to the fact that over the last 100 years, the average temperatures at the arctic circle had increased by 5°C. The exhibit also called for the reduction of greenhouse gases, primarily CO<sub>2</sub>, which contributes towards global warming, and showed how the fuel efficiency of the Quon truck was a solution to the problem. Nissan Diesel's world leading technologies drew particular interest from visitors.



Eco-Products 2005