

Risk Factor

Business-Related and Other Risks

The forward looking statements in the following paragraphs are based on the judgments of the Nissan Diesel Group, as of June 28, 2006.

1 Economic Conditions

The sale of trucks, which are a principal product of the Nissan Diesel Group, is significantly influenced by economic conditions in Japan. The trucks that are purchased by customers are viewed as industrial goods and in most instances they are used for commercial purposes. Hence, any economic downturn in the Japanese market decreases the demand for trucks, and subsequently sales figures are impacted negatively. In addition to its domestic business, the Company exports its products to a variety of locations, mainly to Asia, but also to North America, the Middle East, Africa, Central and South America, and Oceania. Therefore, any unanticipated recessions in the domestic and export markets, and the subsequent fall in demand will have the potential to negatively impact the earnings and financial standing of the Group.

2 Price Competition

Price competition has become extremely fierce in the truck sales market, in which the main competitors are Japanese truck makers and their sales agencies. In response to customer demand for price cuts, the Nissan Diesel Group is working to lower manufacturing and selling costs as well as to develop and provide high-value-added products and services to differentiate itself from the competition. Nevertheless, any further intensification of price competitors has the potential to hinder the Group's ability to maintain market share, a pre-requisite to ensuring stable earnings.

3 Principal Transaction Partners

The Nissan Diesel Group sells diesel engines to the Nissan Motor and undertakes commissioned production of Nissan Motor's light-duty trucks and light-duty diesel engines. As of March 2006, Nissan Motor is no longer a parent company of Nissan Diesel but transactions between the companies are confirmed to continue into

the future. The Group's net sales and proportion of sales to Nissan Motor was ¥95.9 billion (20.8%) in fiscal 2004, and ¥85.2 billion (17.7%) in fiscal 2005. For this reason, the business strategies and management policies that Nissan Motor develops has the potential to affect earnings and the financial standing of the Group.

4 Transaction Partner Credit Risk

The Nissan Diesel Group carries out business with multiple transaction partners. For this reason, the Group focuses on managing trade receivables and sets credit ratings according to each customer's financial conditions while assessing their credit status on a continual basis with the overall goal to minimize the generation of bad debt. Nevertheless, unanticipated circumstances that impact customers have the potential to negatively impact the earnings and financial standing of the Group.

5 Risks Related to Intellectual Property Rights

The Nissan Diesel Group possesses the technology and know-how to differentiate its product from rivals' products. In addition, the Group holds intellectual assets including the product, patents, designs and trademarks. Such assets are a vital part of the Group's overall growth strategy for the future. While we are doing our best to protect intellectual property, ensuring complete protection by enforcing intellectual property rights is difficult, and in some situations, the protection granted by such rights is limited in nature. Subsequently, it is not possible to completely prevent the sale of copied products that have been manufactured illegally by third parties using the Group's intellectual property.

6 Risk of Business Interruption Due to Natural Disasters, Power Outages, Etc.

To ensure the continual operation of manufacturing lines, the Nissan Diesel Group conducts periodic disaster prevention and maintenance inspections at all of its facilities and has set up a counter-crisis team that will respond in the event of an emergency or other disaster.

Regardless of such measures, there is no way of ensuring complete protection against disasters, power outages, and other events that have a negative effect on manufacturing lines and other operations. Moreover, since the majority of the Group's development and manufacturing facilities are concentrated in its Head Office Plant in Ageo, Saitama Prefecture, any interruption of operations as a result of unforeseen circumstances such as earthquakes or accidents has the potential to negatively impact the earnings and financial standing of the Group.

7 Response to the Environment and Related Regulations

The Nissan Diesel Group develops, manufactures and markets trucks and buses that conform to such environmental regulations as restrictions on emissions, and standards for noise and safety. In the future, it is likely that such regulations will become even more stringent as the concern and public awareness for the environment increases. The investment and development costs to enable compliance with tighter regulations equates to a substantial amount and failure to compensate for these costs by increasing net sales has the potential to negatively impact the earnings and financial standing of the Group.

8 Interest Fluctuation

The Nissan Diesel Group is focused on reducing interest-bearing debt through cash flow management. The balance of interest-bearing debt and the associated interest-bearing debt ratio (balance of interest bearing debt divided by net sales) fell from ¥155.1 billion (33.6%) in fiscal 2004 to ¥129.9 billion (26.9%) in fiscal 2005. Nevertheless, should interest rates suddenly spike, such change has the potential to negatively impact the earnings and financial standing of the Group.

9 Currency Exchange Rate Fluctuation

Sales generated outside of Japan accounts for 17.8% (as of March 31, 2006) of consolidated net sales of the Nissan Diesel Group. In general, the appreciation of the yen against other currencies has a negative effect on the business of the Group and the depreciation of the yen against other currencies has a positive effect.

10 Quality Assurance

The Nissan Diesel Group engages in activities that fully emphasize quality in all things as part of its corporate culture and manufactures truck and buses based on globally recognized quality control standards. However, in the event of a large-scale recall, this would result in substantial expenses and has the potential to negatively impact the earnings and financial standing of the Group.

11 Procurement of Raw Materials and Parts

The Nissan Diesel Group purchases raw materials and vehicle parts from multiple transaction partners. A natural disaster or changes in market conditions that is outside the control of the Group may result in a situation where the continuous procurement of parts and raw materials from transaction partners is interrupted. Such an incident has the potential to negatively impact the earnings and financial standing of the Group.

12 Major Litigation, Etc.

The Nissan Diesel Group currently has no legal action entered against it that may have a significant effect on future earnings. However, any major legal action in the future has the potential to negatively impact the earnings and financial standing of the Group.