

Message From the President

On March 1, 2002, Nissin Kogyo was listed on the First Section of the Tokyo Stock Exchange. Meanwhile, 2003 marked the company's 50th year in business. Neither of these milestones could have been reached without the steadfast support and understanding of our shareholders and other investors, for which we at Nissin Kogyo are truly grateful.

► OVERVIEW (Fiscal year ended March 31, 2003)

At Nissin Kogyo, our corporate philosophy encourages us to anticipate global trends to provide superior products, technologies and ideas that meet the needs of our customers and society. With this in mind, we deliver products targeting industry demands surrounding the key areas of environment and safety. The year under review saw us start production of strategic products intended to promote future growth. Among them was the *NK11* series, the world's most compact and lightweight anti-lock brake systems (ABS), representing a vast improvement over previous products in terms of weight and space requirements. Alongside *NK11*, we introduced an aluminum knuckle, a new product that will compete against mainstream steel. Moreover, we established two new factories, one each in Thailand and Indonesia, where demand for motorcycles and four-wheeled vehicles remains strong, as part of our investment strategy aimed at bolstering production capacity to handle increasing orders.

These factors combined to lift consolidated net sales 14.3% higher year on year to ¥114,032 million, and operating income climbed 11.7% to ¥12,660 million. While both figures represent record highs, the effects of currency exchange losses precipitated by the sharp appreciation of the yen and depreciation of the Brazilian *real* brought down net income by 18.7% to ¥5,133 million.

► MEASURES FOR MEDIUM-TERM GROWTH

The relentless advance of globalization and information technology are set to usher in an era of massive changes on a global scale. This sweeping transformation is poised to restructure the fundamental nature and shape of political, economic, and social life. A quick glance at trends in our industry reveals that cost-based competition is intensifying prompted by China's rising prominence and technological innovation. Giant companies have also been formed as a result of industry realignment. Considered alongside the astonishing economic recovery of ASEAN countries and a growing shift towards small cars in Japan, it is clear that previous business practices and work processes are ill-equipped to respond effectively to these drastic changes.

Mindful of these conditions, we have targeted four points as chief objectives in our 8th medium-term management plan drafted last year: "emphasizing quality for a dramatic improvement in customer satisfaction," "enhancing the required technologies to develop new value products founded on environmental and safety considerations," "improving overseas bases with the view to being able to manage the Group on a global basis," and "achieving greater global cost-competitiveness." In terms of financial targets, the plan calls for consolidated net sales of ¥130.0 billion and an operating income ratio of 11% in the year ending March 31,

2005. Objectives for the year ending March 2004 include starting production at Zhongshan Nissin Industry, Co., Ltd., in Canton, our second production base in China; global expansion of production and sales operations; and increasing sales of new ABS and aluminum-based products. At the same time, we plan to improve earnings by aggressively trimming costs, broadening local procurement activities, and enhancing productivity through an improved network for global production.



► ENHANCING R&D CAPABILITIES

To achieve further stable growth, we are taking steps to augment our R&D capabilities for the development of new technologies. In the automotive industry, there is strong demand for increasingly lighter vehicle chassis as a means of boosting fuel efficiency. This has led to an industry-wide push to replace iron and steel parts with lighter materials. We stand ready to meet this demand, taking full advantage of aluminum casting and processing technology, a Nissin Kogyo specialty for nearly half a century, to promote aluminum-based parts as viable alternatives to conventional products and expand sales growth. Concurrently, we are focusing attention on research into the next-generation of braking technology, to spur the evolution of new systems able to prevent, as opposed to merely compensating for, driver error. Complementing these efforts will be the creation of an R&D organization spanning North America, Europe, Japan and the rest of Asia, part of our response to the ongoing globalization of the automotive industry.

While 2003 marks a milestone 50th year in business for Nissin Kogyo, we also view it as a springboard to our next stage of growth. As we move resolutely ahead towards greater achievements, I respectfully ask for your continued support of Nissin Kogyo as we make every effort to better meet the expectations of our customers, shareholders and business partners.

September 2003

Tamotsu Abe.

Tamotsu Abe
President