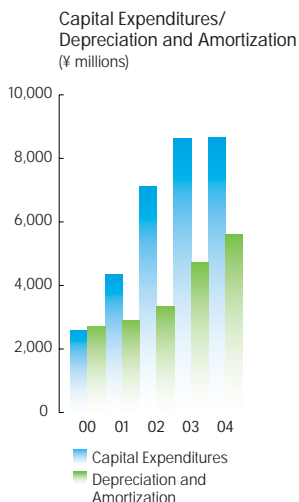
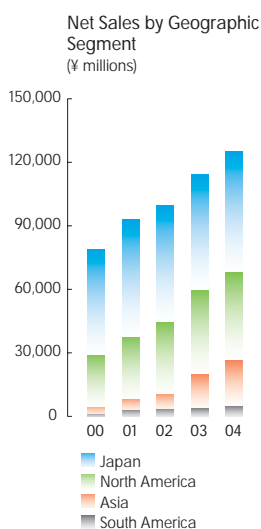
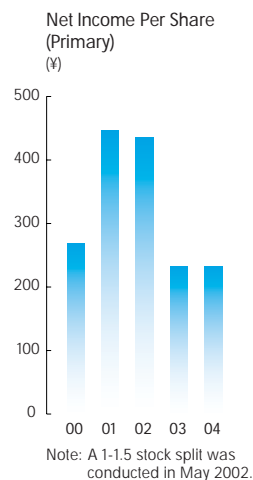


Financial Review



The Nissin Kogyo Group is made up of the parent company, three domestic and eight overseas consolidated subsidiaries, and one domestic and three overseas affiliates accounted for by the equity method. Group companies are primarily engaged in the manufacture and sale of brake systems and components for automobiles. To strengthen the Nissin brand in North America, the names of consolidated subsidiaries Findlex Corp. and Findlex Georgia Corp. were respectively changed to Nissin Brake Ohio Inc. and Nissin Brake Georgia Inc. from April 1, 2004.

Business Results

In the fiscal year ended March 31, 2004, consolidated net sales climbed 9.6% year on year to ¥124,943 million, largely driven by increased sales in Asia.

Tracking higher sales, the cost of sales rose 10.3% to ¥104,187 million, while the cost of sales ratio edged up 0.5 of a percentage point to 83.4%. Although selling, general and administrative (SG&A) expenses increased 7.9% to ¥7,442 million, SG&A expenses as a percentage of net sales declined 0.1 of a percentage point to 6.0%. The foregoing factors lifted operating income to ¥13,313 million, 5.2% higher than the previous year. The operating income ratio slipped 0.4 of a percentage point to 10.7%.

Other expenses, net deteriorated from ¥977 million in the previous year to ¥1,343 million in the year under review. This was chiefly attributable to losses stemming from product repairs and the disposal of inventory assets. Despite these factors, income before income taxes and minority interests rose 2.4% to ¥11,969 million, while net income edged up 0.2% to ¥5,141 million. Earnings per share improved from ¥232.44 in the previous year to ¥232.89, and Nissin Kogyo paid a full-year dividend of ¥24 per share.

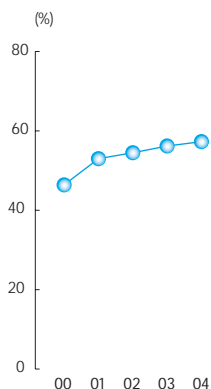
Breakdown by Geographic Segment

Japan—Sales rose 5.3% to ¥57,219 million, mainly due to increased adoption of newly developed ABS products and brisk sales of vehicles equipped with such systems. Operating income fell 13.8% to ¥5,726 million. The main reasons for this decrease included expenses related to steps to enhance development capabilities, the impact of currency exchange rates, intensifying sales competition, and higher materials costs. These factors outweighed proactive steps to rein in the cost of sales.

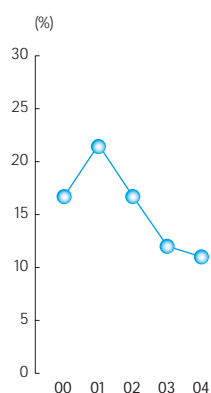
North America—Sales climbed 11.1% on a local currency basis due to strong sales of automobiles by Japanese manufacturers and an increased number of vehicles equipped with newly developed ABS products. However, the impact of currency exchange rates held sales to ¥41,244 million, a year-on-year increase of 3.1%. Operating income was 68.6% higher on a local currency basis, thanks to benefits stemming from investments in new product models in the previous year, improvements in the cost structure and other factors. The negative impact of exchange rates, however, constrained operating income on a yen basis to ¥1,853 million, up 21.1% from the previous year.

Asia—Sales climbed 34.7% to ¥21,789 million. This was largely attributable to benefits gained from expanding production capacity to meet growing demand from motorcycle and four-wheeled vehicle markets in the ASEAN region. Operating income rose 22.0% year on year to ¥5,135 million. This was mainly the result of steady sales of products for motorcycles in the ASEAN region.

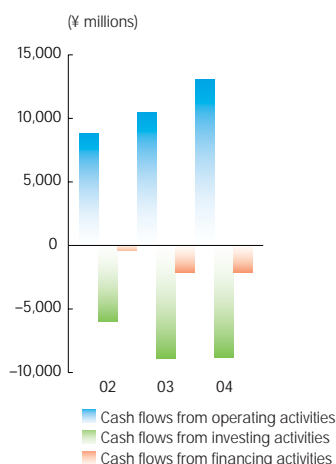
Shareholders' Equity Ratio



Return on Equity



Cash Flows



South America—Stable growth in the motorcycle market lifted sales to ¥4,689 million, an increase of 34.3% over the previous year. Operating income climbed 35.5% higher to ¥618 million, thanks to increased sales generated by a strong motorcycle market, an improved cost structure and other factors.

Capital Expenditures

Capital expenditures increased 0.2% during the year to ¥8,661 million. In Japan, production capacity was upgraded for ABS and aluminum products, in addition to the construction of an integrated production line for vacuum boosters, master cylinders, and wheel cylinders. In Asia (Thailand and Indonesia), production capacity was augmented with the completion of new factories.

R&D Expenditures

R&D expenditures increased 21.1% during the year to ¥5,551 million. Expenditures included the development and commercialization of *NK11VL*, a new type of multifunctional VSA, with the adoption of a new linear solenoid valve. For motorcycles, Nissin Kogyo developed and launched a braking system designed to deliver better brake control with less direct input from the driver.

Financial Position

Total assets at the fiscal year-end amounted to ¥84,199 million, a year-on-year increase of ¥6,255 million. Current assets stood ¥2,590 million higher at ¥42,622 million. This was due in large part to an increase in cash and bank deposits accompanying higher sales. Property, plant and equipment, net rose by ¥1,887 million compared to the previous year, to ¥27,666 million, attributable mainly to an increase in buildings and structures. Investments and other assets were ¥13,910 million, up ¥1,777 million, mostly from an increase in investment securities.

Current liabilities were ¥24,892 million, or ¥122 million higher than a year earlier. Long-term liabilities, meanwhile, rose ¥974 million to ¥3,519 million, due to an increase in deferred income taxes.

Shareholders' equity, net increased ¥4,459 million year on year to ¥48,276 million, buoyed by a ¥4,550 million jump in consolidated retained earnings compared with the previous fiscal year-end. As a result, the equity ratio rose 1.1 percentage points to 57.3%. Return on equity declined 0.9 of a percentage point to 11.2%.

Cash Flows

Cash and cash equivalents as of March 31, 2004 stood at ¥11,364 million, up ¥1,831 million compared with the previous fiscal year-end.

Net cash provided by operating activities was ¥13,066 million, or ¥2,627 million more than the previous year. This increase was mostly attributable to income before income taxes and minority interests of ¥11,969 million and depreciation and amortization of ¥5,426 million, offsetting income taxes paid of ¥4,804 million. Net cash used in investing activities was ¥8,787 million, or ¥83 million less than the previous year, mainly due to cash of ¥8,661 million used to purchase property and equipment as part of aggressive capital expenditures.

Free cash flows increased ¥2,710 million from the previous year, to ¥4,279 million.

Net cash used in financing activities was ¥2,113 million, or ¥35 million less than the previous year. Cash used consisted primarily of ¥630 million for the repayment of short-term borrowings, ¥512 million for the payment of dividends, and dividends paid to minority shareholders of ¥958 million.