

MESSAGE FROM THE PRESIDENT

I am pleased to report that Nissin Kogyo posted higher consolidated net sales for the sixth consecutive business term. Operating income, meanwhile, grew for the ninth straight year. I would like to take this opportunity to thank our shareholders and other investors for their steadfast support and understanding.

OVERVIEW (FISCAL YEAR ENDED MARCH 31, 2005)

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 in the key areas of the environment and safety.

During the year under review, we saw our past efforts in research and development (R&D) bear fruit. We also posted higher sales volume, particularly of ABS and multifunctional vehicle stability assists (VSA), in Japan, as we worked to bolster sales. In addition, sales of brake products for motorcycles and aluminum products were robust in the rapidly growing Asian markets. These and other factors substantially boosted our top line, with consolidated net sales rising 12.8% year on year to ¥140,964 million. This was a record for Nissin Kogyo. On the profit front, unfavorable currency movements, rising steel prices and other negative factors were offset by higher sales and active steps to reduce costs. As a result, operating income rose 9.6% to ¥14,593 million, ordinary income grew 11.1% to ¥14,904 million, and net income jumped 31.4% to ¥6,755 million—all record highs.

REINFORCING THE BUSINESS FRAMEWORK FOR FURTHER GROWTH

Our eighth medium-term management plan (from fiscal 2003 to fiscal 2005), which ended on March 31, 2005, was launched to build and reinforce development and supply capabilities and R&D frameworks in the four strategic areas of Japan, the Americas, Europe, and Asia. Its goal was to lay the foundation for further growth by staying in step with growth in automobile markets, especially in Asia. As a result, production and sales in both Japan and overseas have grown steadily, with sales increasing by approximately 40% over the three years of the plan.

In fiscal 2005, Nissin Kogyo significantly expanded production capabilities at each of its Asian bases in Indonesia, Thailand, China, and Vietnam, while reinforcing R&D in Thailand and China. In particular, integrated production encompassing casting, processing, and assembly began in February 2005 at Zhongshan Nissin Industry Co., Ltd. in China. This move will enable us to meet demand in the rapidly growing four-wheeled vehicle market in China.

In North America, to meet the growing need for lightweight components, mass production started in July 2004 at Nissin Brake Ohio Inc., following completion of a fully integrated production line for aluminum knuckles.

To enhance production technology, the company purchased shares in Ishii Corporation, a manufacturer of cutting equipment, making it a subsidiary. This initiative was part of efforts to improve Nissin Kogyo's processing technology and enable proprietary production of cutting tools by expanding its scope of expertise.



Tamotsu Abe
President

Finally, Nissin Kogyo took further steps in its drive to drastically cut emissions of carbon dioxide. To this end, the company began full-scale operation in August 2004 of a “gas engine cogeneration system” at the Corporate Headquarters and Ueda Factory. This will enable the company to improve energy efficiency by upward of 70%, and is expected to result in a 30% reduction in carbon dioxide emissions at the Ueda Factory. We plan to continue striving to reduce our environmental impact, one of our two basic management themes, not only through product development but also in production activities.

LOOKING AHEAD: FUTURE BUSINESS DEVELOPMENTS

Given the uncertainties in the world economy and movements in crude oil prices, we expect demand for automobiles in domestic and North American markets to remain relatively at the same level. However, we foresee a further increase in demand for products that respond to the safety and environmental requirements of customers. That’s why we will improve our core aluminum and brake technologies, develop new products, and offer greater variety in our product lineup. Through these steps, we will acquire new customers and expand our market share. At the same time, we foresee continued growth in demand mainly for motorcycles in ASEAN countries. And, although expansion of the four-wheeled vehicle market is likely to slow in China, we believe the expansion will continue. Therefore, Nissin Kogyo will reinforce production and sales capabilities in both regions to drive further growth in our results.

In April 2005, we launched our ninth medium-term management plan. Under the banner “Nissin: the Company Trusted for Delivering Safety,” we aim to expand our business on a global scale to better meet the expectations of our customers, shareholders, and business partners.

I ask for your continued support as we strive to achieve this goal.

September 2005

Tamotsu Abe.

Tamotsu Abe
President