

FINANCIAL REVIEW

The Nissin Kogyo Group is made up of the parent company and 14 consolidated subsidiaries, comprising 4 domestic and 10 overseas consolidated subsidiaries, and 4 affiliates accounted for by the equity method, comprising 2 domestic and overseas affiliates each. Group companies are primarily engaged in the manufacture and sale of brake systems and components for automobiles.

Business Results

In the fiscal year ended March 31, 2006, consolidated net sales rose 18.3% year on year to ¥166,796 million. This mainly reflected increased sales in Asia.

In line with higher sales, the cost of sales rose 18.3% to ¥139,723 million from a year earlier, and the cost of sales ratio remained unchanged at 83.8%. Although selling, general and administrative (SG&A) expenses increased 13.2% to ¥9,411 million, these expenses declined 0.2 of a percentage point to 5.6% as a percentage of net sales. As a result, operating income was ¥17,661 million, up 21.0%. The operating income ratio rose 0.2 of a percentage point to 10.6%.

Other income (expenses) improved from other expenses of ¥946 million in the previous year to other income of ¥455 million in the year under review. This was mainly due to the posting of a foreign exchange gain and a decline in loss on compensation of defective products. As a result, income before income taxes and minority interests increased 32.8% to ¥18,117 million. Net income rose 33.9% to ¥9,046 million. Net income per share rose from ¥307.29 to ¥414.78. Finally, Nissin Kogyo paid a full-year dividend of ¥60 per share, an increase of ¥18 from the previous year.

Breakdown by Geographic Segment

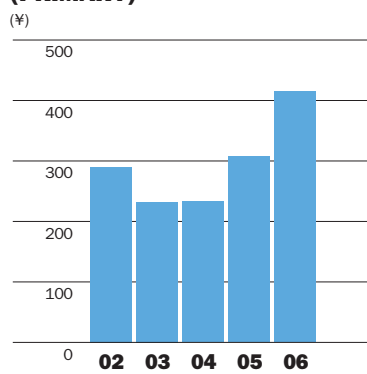
Japan—Sales increased 6.2% year on year to ¥66,604 million, mainly due to the launch of the new NK15 series and strong sales of products for large motorcycles. Operating income rose 14.4% to ¥5,934 million. This was largely attributable to increased sales and cost-cutting activities.

North America—Sales rose 15.9% to ¥47,567 million. This was due to increased adoption of the NK12 series and increased sales of a new type of calipers, exclusively for the North American market. Tracking the increased sales, operating income was ¥1,383 million, up 21.2% from the previous year.

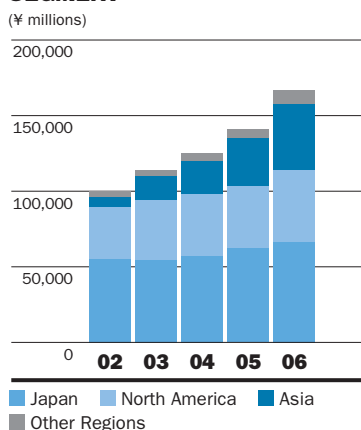
Asia—Sales jumped 39.5% to ¥44,001 million. This rise in sales was the result of market expansion and other favorable factors in China and Indonesia. Operating income rose 28.4% to ¥9,477 million, due to strong sales of motorcycle products and the benefits of producing brake systems locally in China.

Other regions—Sales jumped 52.6% to ¥8,624 million, and operating income soared 86.0% to ¥1,186 million.

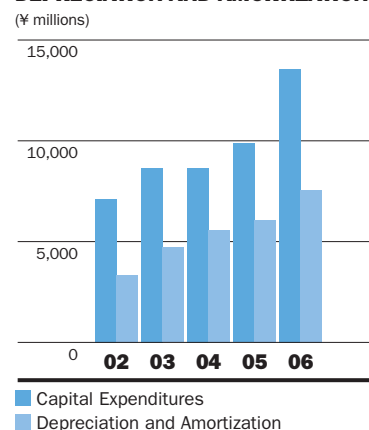
NET INCOME PER SHARE (PRIMARY)



SALES BY GEOGRAPHIC SEGMENT



CAPITAL EXPENDITURES/ DEPRECIATION AND AMORTIZATION



Capital Expenditures

Capital expenditures increased 37.3% during the year to ¥13,547 million. In Japan, this was attributable to the expansion of production capabilities for aluminum products for four-wheeled vehicles upon completion of construction of the Naoetsu No. 2 Factory. In Asia, we raised production capacity at factories in China, Thailand, Indonesia and Vietnam.

R&D Expenditures

R&D expenditures rose 4.5% to ¥6,367 million compared to the previous fiscal year. In the area of four-wheeled vehicle components, we developed hybrid vehicle regenerative brake systems and multifunctional vehicle stability assists (VSA) which significantly improved product functionality. These new products were adopted for use in new models. In motorcycle components, Nissin Kogyo developed calipers and anti-lock brake systems (ABS) for sportbikes that were also adopted for use in new models.

Financial Position

Total assets at the fiscal year-end amounted to ¥118,544 million, up ¥21,647 million from a year earlier.

Current assets stood at ¥61,568 million, an increase of ¥10,042 million, due in large part to an increase in cash and bank deposits accompanying higher sales. Property, plant and equipment rose ¥7,766 million to ¥38,869 million, the result mainly of an increase in machinery and equipment, and vehicles and fixtures for expanding capacity. Finally, investments and other assets rose ¥3,841 million to ¥18,108 million, mainly due to an increase in investment securities.

Current liabilities increased ¥3,850 million to ¥33,234 million compared to a year ago. Long-term liabilities were ¥6,325 million, up ¥2,097 million. This was partially due to an increase in deferred income taxes.

Shareholders' equity, net rose ¥12,379 million to ¥66,674 million due mainly to a ¥7,736 million year-on-year increase in consolidated retained earnings. The shareholders' equity ratio increased 0.2 of a percentage point to 56.2%. Return on equity rose 1.8 percentage points to 15.0%.

Cash Flows

Cash and cash equivalents as of March 31, 2006 stood at ¥16,159 million, up ¥1,691 million from the previous fiscal year-end.

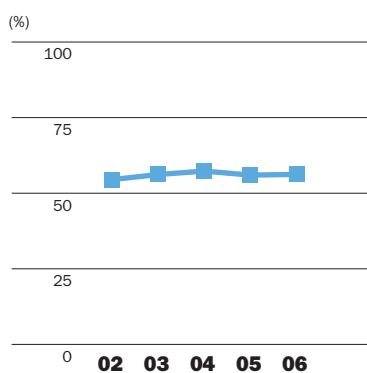
Net cash provided by operating activities was ¥19,057 million, ¥5,766 million more than the previous year. The main component was income before income taxes and minority interests of ¥18,117 million, which reflected the strong business results.

Net cash used in investing activities was ¥13,659 million, ¥3,789 million more than the previous year, mainly due to cash used to purchase property and equipment associated with aggressive capital expenditures.

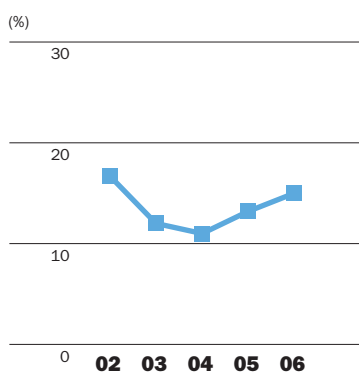
Free cash flows increased ¥1,977 million from the previous year, to ¥5,398 million.

Net cash used in financing activities was ¥4,723 million, ¥4,473 million more than the previous year. This mainly reflected differences in the timing of the payment of dividends by consolidated subsidiaries to minority shareholders.

SHAREHOLDERS' EQUITY RATIO



RETURN ON EQUITY



CASH FLOWS

