

FINANCIAL REVIEW

The Nissin Kogyo Group is made up of the parent company and 14 consolidated subsidiaries, as well as 5 affiliates accounted for by the equity method. 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, 2008, consolidated net sales rose 7.8% year on year to ¥202,469 million. This mainly reflected increased production of products for export by major customers in Japan, and expanded sales of mechatronics products for new-model, four-wheeled vehicles, along with strong sales of car components in China and motorcycle components in Brazil and Vietnam.

On the expenses front, the cost of sales rose 8.7% to ¥170,441 million from a year earlier, and the cost of sales ratio increased by 0.7 percentage points. This reflected the impact of such factors as rising raw material prices as well as higher sales. Selling, general and administrative (SG&A) expenses increased 5.7% to ¥10,999 million, and due to cost reduction activities these expenses improved 0.1 of a percentage point as a percentage of net sales. As a result, operating income was ¥21,029 million, up 1.8%.

Other income, net climbed 86.3% year on year to ¥1,345 million. The increase was mainly due to increased interest and dividend income, even though a foreign exchange loss was booked under other expenses. As a result, income before income taxes and minority interests increased 4.6% year on year to ¥22,375 million. Net income rose 7.9% to ¥13,348 million.

Net income per share increased from ¥189.16 to ¥204.03. As planned, Nissin Kogyo paid a year-end dividend of ¥18.00 (full-year dividend of ¥36.00) per share.

Breakdown by Geographic Segment

Japan—Net sales increased 5.3% year on year to ¥79,598 million despite decreased production of four-wheeled vehicles, ATVs and motorcycles in Japan. This was mainly due to increased production of 2007 and 2008 model cars for export and new acquisitions of mechatronics products.

Operating income fell 2.3% to ¥6,972 million despite the benefits of increased net sales and cost-cutting activities. This was largely attributable to strengthening of development capabilities, rising prices of raw materials and the effect of currency conversions.

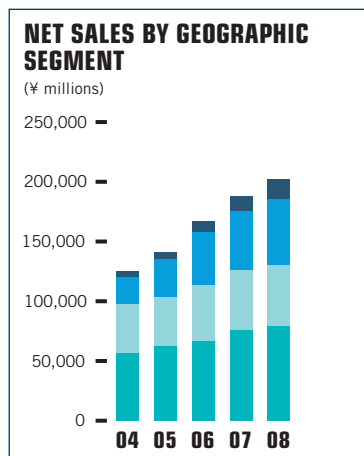
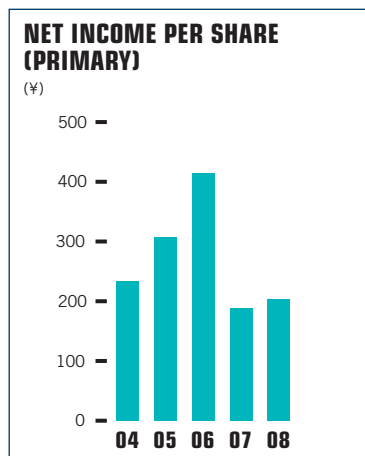
North America—Net sales edged up 0.2% year on year to ¥51,112 million despite reduced earnings of mechatronics products due to the appreciation of the yen and intensifying price competition. The slight increase was due to increased production in terms of units by customers and expanded sales of products for four-wheeled vehicles and motorcycles.

Despite the benefits of cost reduction activities, rising prices of raw materials, costs of launching new models and intensifying competition resulted in an operating income of ¥787 million, down 59.9% from the previous year.

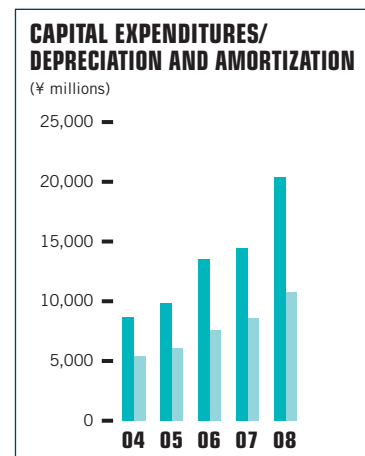
Asia—Net sales rose 13.3% year on year to ¥55,561 million despite Nissin Kogyo's withdrawal from the motorbike market in Thailand. This rise reflected strong sales in Vietnam and China as well as currency conversions.

Operating income increased 6.4% to ¥9,928 million due to strong sales in the motorcycle market in Vietnam and currency conversions.

Other regions—Sales increased 31.7% to ¥16,198 million due to the strong motorcycle market in Brazil and currency conversions. As a result of the increased sales and currency conversions, operating income rose 38.1% to ¥2,866 million.



■ Japan ■ North America ■ Asia
■ Other Regions



■ Capital Expenditures
■ Depreciation and Amortization

Capital Expenditures

Capital expenditures increased 41.2% during the year to ¥20,423 million. This was mainly attributable to measures enacted primarily at locations in North America, Japan, Thailand and China, including the rationalization of manufacturing processes, the launch of new models and the expansion of supply capabilities by increasing and upgrading production facilities.

R&D Expenditures

R&D expenditures rose 6.4% to ¥7,313 million compared to the previous fiscal year. Nissin Kogyo gave priority to product development geared toward producing motorcycles and four-wheeled vehicles that are lighter, safer and more comfortable. Our development efforts resulted in the development and commercialization of a number of new products. Our development of a basic brake for motorcycles, for instance, resulted in a vertical front master cylinder with a direct-mounted tank. In addition, the development of a mechatronics automated control system led to the NK21V for small lightweight VSAs, and efforts with regard to weight reduction technology resulted in aluminum rear knuckles and aluminum engine mount brackets. Furthermore, we are making progress with the development of a full braking system through joint initiatives with manufacturers of completely built-up vehicles.

Financial Position

Current assets stood at ¥76,867 million, an increase of ¥538 million, due to an increase in inventories which outweighed a decrease in cash and bank deposits. Property, plant and equipment, net rose ¥8,354 million to ¥54,650 million, the result mainly of an increase in tangible fixed assets such as machinery and equipment, and vehicles and fixtures. Investments and other assets declined ¥2,783 million to ¥17,301 million, mainly due to a decrease in investment securities. As a result,

total assets at the fiscal year-end amounted to ¥148,818 million, up ¥6,108 million from a year earlier.

Current liabilities decreased ¥1,478 million to ¥38,468 million compared to a year ago. This was mainly because although short-term borrowings increased, notes and accounts payable decreased. Long-term liabilities were ¥4,806 million, down ¥2,012 million. This was partially due to a decrease in deferred income taxes. As a result, total liabilities at the fiscal year-end amounted to ¥43,274 million, down ¥3,490 million from a year earlier.

Net assets rose ¥9,598 million to ¥105,544 million despite a decrease in net unrealized holding gain on investment securities due mainly to increases in consolidated retained earnings and minority interests.

Cash Flows

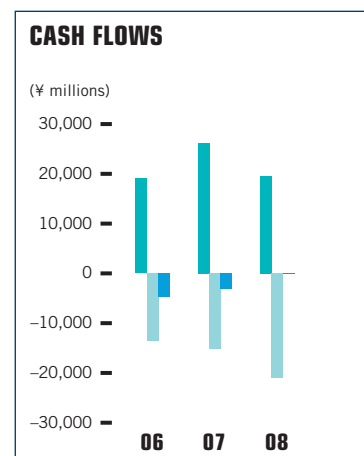
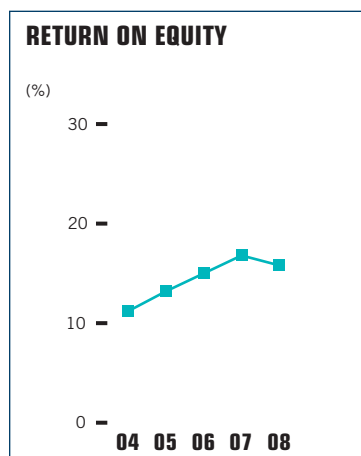
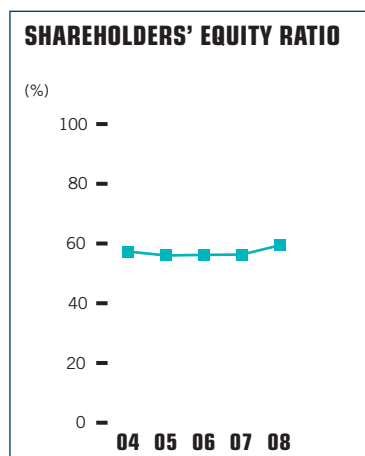
Cash and cash equivalents ("cash") as of March 31, 2008, stood at ¥23,571 million, down ¥1,715 million from the previous fiscal year-end. This reflected an increase in cash due to income before income taxes and minority interests and a decrease in cash mainly due to the purchase of property and equipment.

Net cash provided by operating activities was ¥19,504 million. The main component was an increase in income before income taxes and minority interests, which reflected strong business results.

Net cash used in investing activities was ¥20,966 million, mainly due to cash used to purchase property and equipment as part of capital investment.

Net cash used in financing activities was ¥39 million. This mainly reflected the amount of dividend payments to minority shareholders, despite the procurement of funds through short-term borrowings.

As of March 31, 2008, cash stood at ¥23,571 million. Nissin Kogyo's internal reserves will be allotted as needed for the product development indispensable to future growth and for business expansion.



■ Cash flows from operating activities
■ Cash flows from investing activities
■ Cash flows from financing activities