ANNUAL REPORT 2008

Year Ended March 31, 2008

NISSIN ELECTRIC CO., LTD.

Profile

Nissin Electric Co., Ltd. is a leading manufacturer of power system equipment and charged particle beam-oriented equipment. Power system equipment is necessary to ensure reliable power supplies. Charged particle beam-oriented equipment includes high technology products such as ion implanters, electron processing systems, and thin-film coating equipment.
Nissin also provides a variety of engineering services ranging from installation and adjustment of high technology based products to advanced technical treatments.

Corporate Principles of Nissin Electric

Our Mission

Forge a bright future for both people and technology

With the aim of realizing a sustainable society, gentle to humans and the environment, Nissin Electric develops original technology to meet the fundamental needs of society and industry.

Company Code of Conduct

Integrity, Trust, and Long-term Relationships

We take the following Five Trusts as the point of origin for our activities. Through these Trusts, we strive to promote the growth of the company and foster the personal development of its employee.

(1) Customer Trust
We provide reliable, high-quality products and services that are useful to customers. This will facilitate our efforts to enhance our technologies, which are the source of value delivered to customers. In addition, the Company commits itself to providing constantly dependable services in order to foster long-term relationships with customers.

(2) Shareholder Trust
We exert efforts to provide appropriate dividends and to enhance the net share value for our shareholders, who are the financial supporters of Nissin Electric.

(3) Societal Trust
We comply with law and other social codes, seek to coexist with the natural environment, and strive to maintain a good relationship with the local community in order to fulfill our obligation as a responsible member of society.

(4) Partner Trust
We place a strong emphasis on our relationships with our business partners. In our pursuit of growth, we remain committed to dealing with our partners in an honest and fair manner.

(5) Employee mutual Trust
It is we, the employees, who are the source of Trust. In our business activities, we highly-motivated employees cooperate with each other in order to achieve a stable life, to find meaning in life, and to encourage personal development of all employees.

Contents

Forward-Looking Statements

Statements regarding earnings projections, market outlooks and similar items are forward-looking statements based on information available to the company at the present time and thus contain many uncertainties. Readers should understand that such forward-looking statements embody risks and that actual results, market conditions and other events may differ significantly from the estimates and projections contained in this publication.

Consolidated Financial Highlights

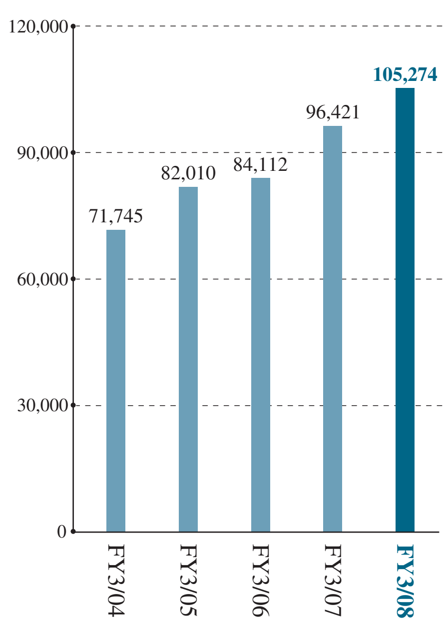
Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2008	2007	2006	2005	2004	***2008***
Net sales	**¥ 105,274**	¥ 96,421	¥ 84,112	¥ 82,010	¥ 71,745	***$ 1,052,740***
Operating income	**6,601**	5,954	4,258	6,808	4,151	***66,010***
Net income	**3,701**	3,010	2,144	2,403	1,664	***37,010***
Total assets	**116,910**	108,032	98,160	86,146	83,267	***1,169,100***
Shareholders' equity	**49,298**	48,040	45,169	40,774	39,169	***492,980***
Capital expenditure	**4,641**	4,609	5,543	2,259	2,209	***46,410***
Depreciation and amortization	**3,318**	2,549	2,042	1,717	1,720	***33,180***
Research and development expenses	**5,397**	5,192	3,863	3,345	2,673	***53,970***
	Yen					*U.S. dollars*
Per share of common stock:						
Net income	**¥ 34.75**	¥ 28.26	¥ 19.61	¥ 21.98	¥ 15.31	***$ 0.35***
Diluted net income	**34.69**	28.20	19.55	21.93	15.29	***0.35***
Cash dividends	**7.00**	6.00	4.00	3.00	3.00	***0.07***
Shareholders' equity	**462.37**	451.58	422.47	381.28	366.98	***4.62***

Note: 1. For convenience only, U.S. dollar amounts are translated from Japanese yen amounts at the rate of ¥ 100 = US$1.00, the approximate exchange rate prevailing on March 31, 2008.
2. Shareholders' equity = net assets excluding share subscription rights and minority interests.

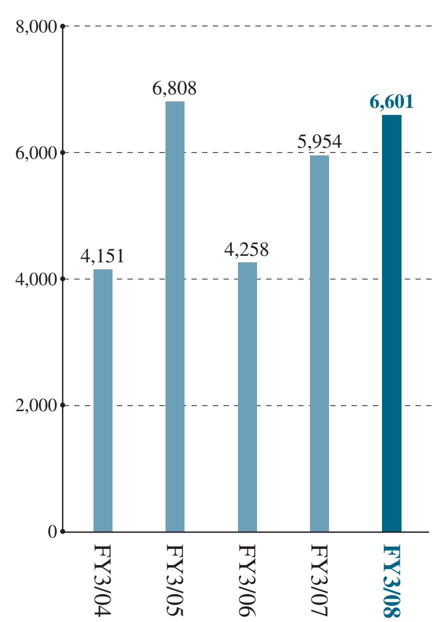
Net sales

(Millions of yen)



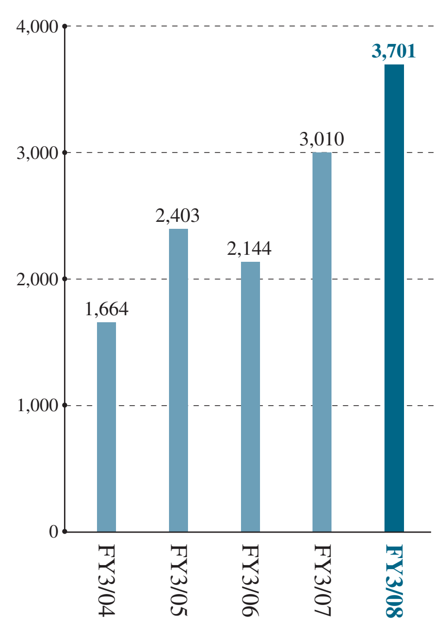
Operating income

(Millions of yen)



Net income

(Millions of yen)



Message from the President

Yoshikazu Amano
President

Business performance for the current fiscal year

During the fiscal year under review (April 1, 2007 to March 31, 2008), Nissin Electric Group enjoyed increased demand in its primary business of power system equipment both from electric power utilities and the private sector in Japan, and from electric power utilities abroad, particularly in China. Charged particle beam-oriented equipment, however, saw a significant drop in demand, due to a fall in prices for semi-conductor memory devices that caused customers to delay or reduce investment in semi-conductor equipment. In this domestic and global business environment, consolidated net sales rose by 9.2% from the previous fiscal year to ¥105,274 million.

On the domestic front, we were able to absorb the effects of intensified price competition and a surge in the cost of materials by boosting sales of power system equipment and cost reduction efforts. Globally, business in overseas subsidiaries was strong on the whole. As a result, we achieved ¥6,601 million in consolidated operating income, representing a 10.9% increase over the previous fiscal year. Meanwhile, extraordinary losses amounted to ¥530 million, including depreciation and allowance for aseismatic diagnosis expenses.

Consolidated net income rose by 23.0% over the previous fiscal year to ¥3,701 million.

Annual dividends per share rose to ¥7, up ¥2 from the previous fiscal year's common dividends, including a ¥1 increase and a ¥1 commemorative dividend to mark our 90th anniversary.

Power system equipment business

Sales in the power system equipment business rose by 13.3% over the previous fiscal year to ¥78,601 million. The domestic demand for substation equipment grew in electric power utilities and the private sector, while overseas demand also increased in Asia, particularly in China. Likewise, the demand for reactive power compensation equipment increased in China and other Asian countries, as well as in the private sector in Japan. Meanwhile, domestic demand for supervisory telecontrol equipment increased in the public sector.

As a result of absorbing rising materials cost through increased sales and cost reduction efforts, segment operating income climbed 48.4% from the previous fiscal year to ¥7,911 million.

Orders received also increased by 23.7% over the previous fiscal year, rising to ¥97,511 million.

Charged particle beam-oriented equipment business

Sales in the charged particle beam-oriented equipment business dropped by 1.4% from the previous fiscal year to ¥26,673 million, due to reduced sales of semi-conductor manufacturing equipment in Asia, particularly in Taiwan.

Segment operating income dropped by 44.5% from the previous fiscal year to ¥1,382 million.

Orders received also dropped by 4.9% from the previous fiscal year to ¥25,453 million.

Forecast for FY3/2009

For the fiscal year ending March 31, 2009, we anticipate continued growth in demand in the power system equipment business from electric power utilities and the private sector in Japan, with a solid increase in demand from electric power utilities in China. Overall, we forecast rising demand for substation equipment and reactive power compensation equipment. In the charged particle beam-oriented equipment business, our forecast is for semi-conductor manufacturing equipment demand to drop. As a result of these factors, we project consolidated net sales of ¥110,000 million in FY3/2009, an increase of approximately 4.5% over the fiscal year under review.

Going forward, we will face an increasingly challenging business environment marked by a slowdown in the Japanese economy, intensifying price competition, and the rising cost of materials. In spite of these difficult conditions, we project that consolidated operating income will increase by approximately 6.1% over the current fiscal year to ¥7,000 million through strengthening and restructuring of our corporate structure, new product introductions, and cost reduction measures. Consolidated net income is forecasted to increase by approximately 2.7% over the current fiscal year to ¥3,800 million.

Medium-to long-term business plan for 2006 through 2010: Vision 2010

Based on the principle of "forging a bright future for both people and technology," we aim to help realize a sustainable society, gentle to humans and the environment. Our mission is to develop original technology to meet the fundamental needs of society and industry.

Accordingly, Nissin Electric Group's code of conduct is based on the Five Trusts: Customer Trust, Shareholder Trust, Societal Trust, Partner Trust and Employee Mutual Trust.

Aiming to create a Nissin Electric Group with strong domestic and global presence and realize a company of sustainable growth through these relationships of trust, we are now implementing Vision 2010, our medium- to long-term business plan for 2006 through 2010.

During FY3/2008, the second year of the plan, we succeeded in surpassing our targets for sales and profit for a second year in a row.

Targets for FY3/2011 (Vision 2010)

Consolidated net sales:	¥130,000 million
Consolidated operating income:	¥10,000 million
Consolidated ROA*:	8% or above
Dividends:	¥10 per share or greater

* ROA: Operating income divided by average capital employed.

On December 13, 2007, Nissin Electric Co., Ltd. became a consolidated subsidiary of Sumitomo Electric Industries, Ltd. We are committed to carrying out both companies' business plans efficiently and effectively by increasing and strengthening the relationship with Sumitomo Electric Industries, while maintaining our stock listing and independence of management.

Strengthening our corporate structure

Challenge, Speed and Responsibility are the keywords that drive Nissin Electric's human resource development and recruitment activities, strategic application of information technology, and ongoing value-chain reform. As a corporate citizen we place the utmost importance on CSR, viewing it as one of the fundamental pillars of our corporate management.

In the area of human resource development, we are developing a career development system based on job-rotation, aiming to place the right person in the right position from a long-term perspective. We will widen the scope of IT applications, including additional functionality to support our unique value chain, to develop the network infrastructure to keep pace with the increase in overseas operations, and to improve business operations at overseas bases.

We believe that the pursuit of the Group's mission, which is our top-priority task in fulfilling CSR, helps to sustain the foundations of society and industry. In addition to pursuing growth, we are therefore committed to improving internal control in order to enhance the credibility of financial reporting while assuring the proper functioning of corporate governance.

Strengthening the power system equipment business

Nissin Electric boasts among the world's most compact gas insulated switchgears. In line with the "Nissin: The Experts in Compact" Group concept, we are moving forward with significant additional size reductions and the organization of our compact products into a series. Beyond simply providing compact products, we also offer attractive "Plus One Added Value" solutions to customers through our "Compact Plus One" products. This includes the strengthening of Power Quality (PQ) product lineup, such as the voltage dip and interruption compensator using electric double layer capacitors, which protects factory equipment from momentary drops in voltage due to lightning strikes and other causes.

Nissin Electric Group currently has manufacturing facilities in China, Taiwan, Thailand, and Vietnam. Moving forward, we will expand our business in those countries and position them as the Group's primary manufacturing bases, enabling production at optimal locations, and empowering overseas bases to develop products and support the strengthening of business in Japan. These measures will allow us to aggressively develop business in Japan, China, Southeast Asia and the Middle East.

Strengthening the charged particle beam-oriented equipment business and developing new businesses

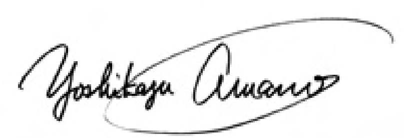
Nissin Electric's medium current ion implanter, sold through the charged particle beam-oriented equipment business, holds the highest share in the Japanese and Asian markets. Nevertheless, in order to maintain a solid market position in the face of ever-increasing competition, we are focusing our efforts on the development of a next-generation equipment. Furthermore, building on our top global share in medium energy electron beam processing systems, we are aiming to grow our business through the expansion of irradiation services by increasing the number of domestic facilities and developing and marketing electron beam products overseas.

In the thin-film coating business, we will improve our services and enhance production capacity to meet customer demand in overseas markets where we already have an established presence. Domestically, we will work to improve product quality and expand service locations while preparing for mass production of coating for automotive parts.

In terms of new businesses, we will further strengthen the collaboration with our parent company Sumitomo Electric Industries to accelerate commercialization and business development of new technologies through selection and focus in R&D investment in the energy and environment fields, including the silicon carbide (SiC) business, superconducting wire material applications, and water clarification.

Through these efforts, we will push forward confidently toward the improvement of overall Group business performance and enhancement of our corporate and brand value.

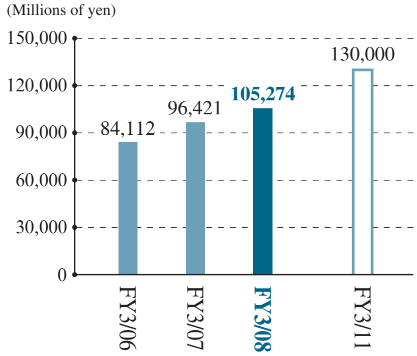
I thank you for your continued support in these endeavors.



Medium-and long-term plan Vision2010 (target for FY3/2011)

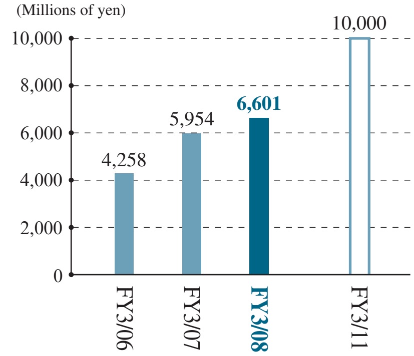
Sales: 130,000 million yen

(Millions of yen)



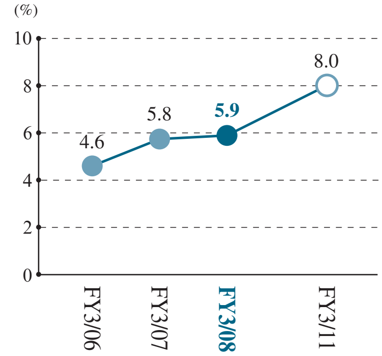
Operating income: 10,000 million yen

(Millions of yen)



Management indicator: ROA of 8% of above

(%)



Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2008**	2007	***2008***
Current Assets:			
Cash and cash equivalents	**¥ 7,551**	¥ 6,690	***$ 75,510***
Time deposits	**170**	139	***1,700***
Receivables:			
Trade notes and accounts	**42,604**	38,021	***426,040***
Other	**1,025**	1,092	***10,250***
	43,629	39,113	***436,290***
Allowance for doubtful receivables	**(56)**	(21)	***(560)***
	43,573	39,092	***435,730***
Inventories (Note 4)	**26,927**	24,171	***269,270***
Deferred tax assets (Note 14)	**3,474**	2,976	***34,740***
Other current assets	**1,804**	1,102	***18,040***
Total current assets	**83,499**	74,170	***834,990***
Property, plant and equipment:			
Land	**2,126**	2,128	***21,260***
Buildings and structures (Note 6)	**24,412**	23,555	***244,120***
Machinery and equipment	**32,742**	30,685	***327,420***
Construction in progress	**846**	919	***8,460***
Total property, plant and equipment	**60,126**	57,287	***601,260***
Accumulated depreciation	**(38,788)**	(36,898)	***(387,880)***
Net property, plant and equipment	**21,338**	20,389	***213,380***
Investments and other assets:			
Investment securities (Note 3 and 7)	**5,842**	8,744	***58,420***
Deferred tax assets (Note 14)	**1,049**	118	***10,490***
Prepaid pension cost (Note 15)	**2,013**	1,268	***20,130***
Other assets	**1,419**	1,396	***14,190***
Allowance for doubtful receivables	**(249)**	(280)	***(2,490)***
Total investments and other assets	**10,074**	11,219	***100,740***
Intangible assets	**1,999**	2,254	***19,990***
	¥ 116,910	¥ 108,032	***$ 1,169,100***

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 1) 2008
Current liabilities:			
Short-term bank loans (Note 5)	¥ 15,996	¥ 11,336	$ 159,960
Payables:			
Trade notes and accounts	23,939	22,170	239,390
Other	2,567	2,179	25,670
	26,506	24,349	265,060
Advances from customers	5,832	5,814	58,320
Accrued income taxes (Note 14)	1,393	1,326	13,930
Accrued expenses	6,009	6,340	60,090
Allowance for losses on contracts	545	148	5,450
Allowance for bonuses to directors (Note 2)	105	84	1,050
Other current liabilities	211	153	2,110
Total current liabilities	56,597	49,550	565,970
Long-term liabilities:			
Long-term debt due after one year (Note 5)	606	259	6,060
Pension payable for transition to defined contribution plan	1,238	1,646	12,380
Employees' severance and retirement benefits (Note 15)	3,012	2,879	30,120
Deferred tax liabilities (Note 14)	385	289	3,850
Allowance for environmental protection measures	2,486	2,486	24,860
Other long-term liabilities	339	216	3,390
Total long-term liabilities	8,066	7,775	80,660
Contingent liabilities (Note 12)			
NET ASSETS (Note 8):			
Shareholders' equity:			
Common stock:			
Authorized - 431,329,000 shares			
Issued and outstanding - 107,832,445 shares	10,253	10,253	102,530
Capital surplus	6,649	6,634	66,490
Retained earnings	30,710	27,967	307,100
Treasury stock, at cost:			
1,450,077 shares in 2007 and 1,211,084 shares in 2008	(376)	(447)	(3,760)
Total shareholders' equity	47,236	44,407	472,360
Valuation and translation adjustments:			
Unrealized gains (losses) on securities, net of taxes	1,523	3,223	15,230
Unrealized gains (losses) on hedging derivatives, net of taxes	(1)	(3)	(10)
Foreign currency translation adjustments	540	413	5,400
Total valuation and translation adjustments	2,062	3,633	20,620
Share subscription rights	31	12	310
Minority interests	2,918	2,655	29,180
Total net assets	52,247	50,707	522,470
	¥ 116,910	¥ 108,032	$ 1,169,100

See accompanying notes.

Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	***2008***
Net sales	**¥ 105,274**	¥ 96,421	***$ 1,052,740***
Cost and expenses:			
Cost of sales (Note 10)	**77,613**	70,775	***776,130***
Selling, general and administrative expenses (Notes 10 and 11)	**21,060**	19,692	***210,600***
Operating income	**6,601**	5,954	***66,010***
Other income (expenses):			
Interest and dividend income	**166**	122	***1,660***
Interest expense	**(407)**	(264)	***(4,070)***
Foreign currency exchange gains	**30**	9	***300***
Loss on disposal of property, plant and equipment	**(68)**	(154)	***(680)***
Allowance for environmental protection measures	**—**	(286)	***—***
Impairment loss of fixed assets (Note 16)	**(309)**	—	***(3,090)***
Other, net	**(175)**	(114)	***(1,750)***
Income before income taxes and minority interests	**5,838**	5,267	***58,380***
Income taxes (Note 14)**:**			
Current	**2,116**	1,757	***21,160***
Prior year adjustment	**—**	(101)	***—***
Deferred	**(157)**	(111)	***(1,570)***
Total income taxes	**1,959**	1,545	***19,590***
Minority interests	**178**	712	***1,780***
Net income	**¥ 3,701**	¥ 3,010	***$ 37,010***
	Yen		*U.S. dollars (Note 1)*
Amounts per share:			
Net income	**¥ 34.75**	¥ 28.26	***$ 0.35***
Diluted net income	**34.69**	28.20	***0.35***
Cash dividends applicable to the period	**7.00**	6.00	***0.07***

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen				
	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2006	¥ 10,253	¥ 6,634	¥ 25,441	¥ (259)	¥ 42,069
Cash dividends	—	—	(427)	—	(427)
Bonuses to directors	—	—	(57)	—	(57)
Net income	—	—	3,010	—	3,010
Purchase of treasury stock	—	—	—	(214)	(214)
Sale of treasury stock	—	0	—	26	26
Balance at March 31, 2007	¥ 10,253	¥ 6,634	¥ 27,967	¥ (447)	¥ 44,407

Consolidated Statements of Changes in Net Assets

	Millions of yen						
	Valuation and translation adjustments						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2006	¥ 2,993	—	¥ 107	¥ 3,100	—	¥ 2,780	¥ 47,949
Cash dividends	—	—	—	—	—	—	(427)
Bonuses to directors	—	—	—	—	—	—	(57)
Net income	—	—	—	—	—	—	3,010
Purchase of treasury stock	—	—	—	—	—	—	(214)
Sale of treasury stock	—	—	—	—	—	—	26
Net changes for the year	230	(3)	306	533	12	(125)	420
Balance at March 31, 2007	¥ 3,223	¥ (3)	¥ 413	¥ 3,633	¥ 12	¥ 2,655	¥ 50,707

	Millions of yen				
	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2007	**¥ 10,253**	**¥ 6,634**	**¥ 27,967**	**¥ (447)**	**¥ 44,407**
Cash dividends	**—**	**—**	**(958)**	**—**	**(958)**
Net income	**—**	**—**	**3,701**	**—**	**3,701**
Purchase of treasury stock	**—**	**—**	**—**	**(4)**	**(4)**
Sale of treasury stock	**—**	**15**	**—**	**75**	**90**
Balance at March 31, 2008	**¥ 10,253**	**¥ 6,649**	**¥ 30,710**	**¥ (376)**	**¥ 47,236**

	Millions of yen						
	Valuation and translation adjustments						
	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at April 1, 2007	**¥ 3,223**	**¥ (3)**	**¥ 413**	**¥ 3,633**	**¥ 12**	**¥ 2,655**	**¥ 50,707**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(958)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**3,701**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**
Sale of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**90**
Net changes for the year	**(1,700)**	**2**	**127**	**(1,571)**	**19**	**263**	**(1,289)**
Balance at March 31, 2008	**¥ 1,523**	**¥ (1)**	**¥ 540**	**¥ 2,062**	**¥ 31**	**¥ 2,918**	**¥ 52,247**

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common Stock	*Capital surplus*	*Retained earnings*	*Treasury stock, at cost*	*Total shareholders' equity*
Balance at April 1, 2007	***$ 102,530***	***$ 66,340***	***$ 279,670***	***$ (4,470)***	***$ 444,070***
Cash dividends	***—***	***—***	***(9,580)***	***—***	***(9,580)***
Net income	***—***	***—***	***37,010***	***—***	***37,010***
Purchase of treasury stock	***—***	***—***	***—***	***(40)***	***(40)***
Sale of treasury stock	***—***	***150***	***—***	***750***	***900***
Balance at March 31, 2008	***$ 102,530***	***$ 66,490***	***$ 307,100***	***$ (3,760)***	***$ 472,360***

	Thousands of U.S. dollars (Note 1)						
	Valuation and translation adjustments						
	Unrealized gains (losses) on securities, net of taxes	*Unrealized gains (losses) on hedging derivatives, net of taxes*	*Foreign currency translation adjustments*	*Total valuation and translation adjustments*	*Share subscription rights*	*Minority interests*	*Total net assets*
Balance at April 1, 2007	***$ 32,230***	***$ (30)***	***$ 4,130***	***$ 36,330***	***$ 120***	***$ 26,550***	***$ 507,070***
Cash dividends	***—***	***—***	***—***	***—***	***—***	***—***	***(9,580)***
Net income	***—***	***—***	***—***	***—***	***—***	***—***	***37,010***
Purchase of treasury stock	***—***	***—***	***—***	***—***	***—***	***—***	***(40)***
Sale of treasury stock	***—***	***—***	***—***	***—***	***—***	***—***	***900***
Net changes for the year	***(17,000)***	***20***	***1,270***	***(15,710)***	***190***	***2,630***	***(12,890)***
Balance at March 31, 2008	***$ 15,230***	***$ (10)***	***$ 5,400***	***$ 20,620***	***$ 310***	***$ 29,180***	***$ 522,470***

See accompanying notes.

Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	***2008***
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,838**	¥ 5,267	***$ 58,380***
Adjustments for:			
Depreciation and amortization	**3,318**	2,549	***33,180***
Amortization of goodwill	**107**	—	***1,070***
Increase in allowance for doubtful receivables	**3**	41	***30***
Increase in allowance for bonuses to directors	**21**	84	***210***
Decrease in allowance for employees' severance and retirement benefits	**(611)**	(3,691)	***(6,110)***
Decrease (increase) in pension payable for transition to defined contribution plan	**(479)**	2,111	***(4,790)***
Decrease (increase) in long-term accrued amount payable	**(73)**	28	***(730)***
Impairment loss of fixed assets	**309**	—	***3,090***
Increase (decrease) in allowance for loss on contracts	**396**	(57)	***3,960***
Allowance for environmental protection measures	**—**	286	***—***
Interest and dividend income	**(166)**	(122)	***(1,660)***
Interest expense	**407**	264	***4,070***
Loss on disposal of property, plant and equipment	**68**	154	***680***
Increase in trade receivables	**(4,435)**	(5,304)	***(44,350)***
Increase in inventories	**(2,464)**	(2,467)	***(24,640)***
Increase in trade payables	**1,685**	2,243	***16,850***
Decrease (increase) in accrued expenses	**(329)**	1,091	***(3,290)***
Decrease (increase) in advances from customers	**(22)**	406	***(220)***
Increase (decrease) in consumption tax payable	**576**	(147)	***5,760***
Other, net	**(340)**	2	***(3,400)***
Subtotal	**3,809**	2,738	***38,090***
Interest and dividends received	**166**	122	***1,660***
Interest paid	**(410)**	(264)	***(4,100)***
Income taxes paid	**(2,068)**	(865)	***(20,680)***
Net cash provided by operating activities	**1,497**	1,731	***14,970***
Cash flows from investing activities:			
Payments for purchase of time deposits	**(113)**	(195)	***(1,130)***
Proceeds from refund of time deposits	**76**	315	***760***
Payments for purchase of investment securities	**—**	(406)	***—***
Payments for purchase of property, plant and equipment	**(4,235)**	(3,940)	***(42,350)***
Payments for purchase of intangible assets	**(278)**	(370)	***(2,780)***
Payments for purchase of investment in a consolidated subsidiary	**—**	(1,004)	***—***
Other, net	**(147)**	(102)	***(1,470)***
Net cash used in investing activities	**(4,697)**	(5,702)	***(46,970)***
Cash flows from financing activities:			
Increase in short-term loans	**4,810**	2,377	***48,100***
Proceeds from long-term debt	**727**	196	***7,270***
Payments for long-term debt	**(693)**	(672)	***(6,930)***
Cash dividends paid to minority shareholders	**(241)**	(528)	***(2,410)***
Proceeds from issuance of stock to minority shareholders	**313**	81	***3,130***
Cash dividends paid	**(958)**	(427)	***(9,580)***
Increase (decrease) in treasury stock, net	**86**	(187)	***860***
Net cash provided by financing activities	**4,044**	840	***40,440***
Effect of exchange rate changes on cash and cash equivalents	**17**	69	***170***
Net (decrease) increase in cash and cash equivalents	**861**	(3,062)	***8,610***
Cash and cash equivalents at beginning of year	**6,690**	9,752	***66,900***
Cash and cash equivalents at end of year	**¥ 7,551**	¥ 6,690	***$ 75,510***

See accompanying notes.

Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with the generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded disclosure from the consolidated financial statements of Nissin Electric Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100 to U.S.$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its twelve (fifteen in 2007) domestic subsidiaries and eighteen (sixteen in 2007) overseas subsidiaries. Two subsidiaries were consolidated after being newly established, two subsidiaries were excluded from consolidation as it was liquidated, and one subsidiary was excluded from consolidation due to its merger with another consolidated subsidiary in 2008. No company was accounted for by the equity method in 2007 or 2008.

Material inter-company balances, transactions and unrealized profits have been eliminated in consolidation.

The balance sheets of the consolidated overseas subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions occurring from January 1 to March 31, the fiscal year-end of the Company, are adjusted in the consolidated financial statements.

Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the fiscal year-end rates, and resulting translation gains or losses are included in net income.

The balance sheets of the consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates.

The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests.

Cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities and investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value at the fiscal year-end, and unrealized gains and losses are reported, net of applicable income taxes and minority interests, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving-average cost. Other available-for-sale securities with no available fair market value are stated at moving-average cost.

Held-to-maturity debt securities are stated at amortized cost.

Inventories

Inventories are principally stated at cost. Cost is determined by the specific identification method for finished goods and work in process and by the average cost method for raw materials and supplies.

Property, plant and equipment

Property, plant and equipment are carried at cost. As for the Company and its domestic subsidiaries (the "Domestic Companies"), depreciation is primarily computed by using the straight-line method for buildings and the declining-balance method for other depreciable assets over estimated useful lives of the respective assets.

(Changes in Accounting Policy)

In accordance with the provisions of the revised Corporation Tax Law in Japan (the "Tax Law"), the Domestic Companies adopted a new depreciation method for tangible fixed assets acquired on and after April 1, 2007.

As a result of this change, operating income and income before income taxes and minority interests were ¥102 million *($1,020 thousand)* less than they would have been if the Tax Law had not been adopted.

(Additional Information)

For tangible fixed assets acquired on or before March 31, 2007, the differences between their residual values and memorandum values (¥1) are depreciated in accordance with the Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches 5% of its acquisition cost, the difference between the residual value and the memorandum value is depreciated in an equal amount over five years from the following fiscal year.

As a result of this change, operating income and income before income taxes and minority interests were ¥143 million *($1,430 thousand)* and ¥144 million *($1,440 thousand)* less, respectively, than they would have been if the Tax Law had not been adopted.

Depreciation of property, plant and equipment of the foreign subsidiaries is mainly computed by using the straight-line method over estimated useful lives.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Intangible assets (software costs)

Intangible assets are carried at cost. Amortization is computed by using the straight-line method over the estimated useful lives.

Costs of software for in-house use are included in intangible assets and amortized using the straight-line method over the estimated useful life of five years.

Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount has been individually estimated.

Allowance for losses on contracts

The allowance for losses on contracts is provided when the estimated costs of a completed contract exceeds the respective contract revenues at the end of year.

Allowance for bonuses to directors

The allowance for bonuses to directors is provided based on the estimated amounts for payment.

Effective from April 1, 2006, the Domestic Companies adopted the new accounting standard for directors' bonus (the Financial Accounting Standard No. 4 issued by the Accounting Standards Board of Japan on November 29, 2005). As a result, operating income and income before income taxes and minority interests were ¥84 million less than they would have been if the new accounting standard had not been adopted.

Employees' severance and retirement benefits

The Domestic Companies provide three types of post-employment benefit plans: defined contribution plans, unfunded lump-sum payment plans and funded defined benefit pension plans. Also, the Company has set up an employees' retirement benefit trust. In calculating the payment amount for an involuntary retiring employee, including employees retiring due to reaching the mandatory retirement age, the Domestic Companies may grant additional benefits.

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions.

The Domestic Companies provide allowance for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Prior service costs are recognized in expenses in equal amounts over three years, and actuarial gains and losses are recognized in expenses in equal amounts over mainly 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

Allowance for environmental protection measures

To provide for disposal expenses for PCB waste, the Company accrues the amount estimated at the balance sheet dates.

Revenue recognition

The Company principally recognizes sales on the completed contract method for electrical works contracts, except those for long-term and large-scale construction projects with terms over one year and contract amounts of ¥300 million or more, which are recognized on the percentage-of-completion method.

Income taxes

The Company and its consolidated subsidiaries (the "Companies") recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company files a tax return under the consolidated tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

When forward foreign exchange contracts meet certain conditions, the hedged items are stated at the forward exchange contract rate.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and payables from the purchasing of the parts and materials, and interest rate increases with respect to debt.

The following summarizes the hedging derivative financial instruments used by the Companies and the items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and payables
Non-deliverable forward contracts	Foreign currency trade receivables and payables
Interest rate swap contracts	Interest on short-term and long-term debt

Amounts per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share of common stock assumes that all stock options were exercised at the beginning of the year.

In accordance with the Japanese Corporate Law, the declaration of dividends and the appropriations of retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. However, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Domestic Companies adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥48,043 million would have been presented.

Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Domestic Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005).

Accounting standard for stock option

Effective from the year ended March 31, 2007, the Domestic Companies adopted the new accounting standard, "Accounting Standard for Share-based Payment" (Statement No.8 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for Share-based Payment (the Financial Accounting Standard Implementation Guidance No. 11 issued by the Accounting Standards Board of Japan on December 27, 2005).

As a result, operating income and income before income taxes and minority interests were ¥12 million less than they would have been if the new accounting standard had not been adopted.

3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2008 and 2007 consisted of the following.

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Available-for-sale securities with available fair values: Equity securities	**¥ 5,555**	¥ 8,455	***$ 55,550***
Securities with no available fair values:			
Non-listed equity securities issued by subsidiaries and affiliate companies	**¥ 16**	¥ 16	***$ 160***
Available-for-sale securities: Other non-listed equity securities	**260**	262	***2,600***
	¥ 276	¥ 278	***$ 2,760***

The following is a summary of available-for-sale securities included in investment securities that have a quoted market value at March 31, 2008 and 2007.

	Millions of yen			
2008	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities: Equity securities	**¥ 3,119**	**¥ 2,502**	**¥ 66**	**¥ 5,555**

	Millions of yen			
2007	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities: Equity securities	¥ 3,130	¥ 5,360	¥ 35	¥ 8,455

	Thousands of U.S. dollars			
2008	*Acquisition cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Book (fair) value*
***Available-for-sale securities:** Equity securities*	***$ 31,190***	***$ 25,020***	***$ 660***	***$ 55,550***

The gross realized gains and losses on the sale of available-for-sale securities for the year ended March 31, 2008 were not material. Proceeds and the related gains from the sale of available-for-sale securities during the year ended March 31, 2007 amounted to ¥30 million and ¥13 million, respectively.

The following is the book value and fair value of held-to-maturity debt securities at March 31, 2008 and 2007.

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Book value	**¥ 10**	¥ 10	***$ 100***
Fair value	**10**	10	***100***
Difference	**¥ 0**	¥ (0)	***$ 0***

Held-to-maturity debt securities of ¥10 million *($100 thousand)* consisted of government bonds maturing in four to five years.

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Finished goods	**¥ 5,608**	¥ 4,695	***$ 56,080***
Work-in-process	**16,666**	15,582	***166,660***
Raw materials and supplies	**4,653**	3,894	***46,530***
	¥ 26,927	¥ 24,171	***$ 269,270***

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2008 and 2007 were represented by short-term notes consisting of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Short-term loans bearing average interest rates of 2.91% (2008) and 2.76% (2007)	**¥ 15,804**	¥ 10,643	***$ 158,040***

A summary of long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Long-term debt	**¥ 798**	¥ 952	***$ 7,980***
Current portion of long-term debt	**(192)**	(693)	***(1,920)***
Loans maturing serially through 2013 bearing average interest rates of 2.04% (2008 and 2007)	**¥ 606**	¥ 259	***$ 6,060***

The annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

Year ended March 31,	Millions of yen	*Thousands of U.S. dollars*
2009	¥ 192	*$ 1,920*
2010	184	*1,840*
2011	184	*1,840*
2012	147	*1,470*
2013 and thereafter	91	*910*
Total	¥ 798	*$ 7,980*

The Company had loan commitments from banks aggregating ¥5,000 million *($50,000 thousand)* at March 31, 2008 and 2007. At March 31, 2008, ¥3,500 million *($35,000 thousand)* had been used. At March 31, 2007, ¥1,500 million had been used.

6. FIXED ASSETS

Temporarily idle buildings included in fixed assets for the year ended March 31, 2008 and 2007 were ¥56 million *($560 thousand)* and ¥290 million, respectively, net of accumulated depreciation.

7. PLEDGED ASSETS

At March 31, 2008 and 2007, as required by the Building Lots and Buildings Transaction Business Law in Japan, investment securities in the amount of ¥10 million *($100 thousand)* were put in escrow to secure dealings.

8. NET ASSETS

Net assets comply four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in-capital and all legal earnings reserve may, by resolution of the shareholders, be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

9. CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

A. Stock information

Changes in the number of shares of stock issued and outstanding for the year ended March 31, 2008 and 2007 were as follows:

Common stock outstanding in fiscal year 2008

	Number of shares 2008
Balance at April 1, 2007	**107,832,445**
Increase	**—**
Decrease	**—**
Balance at March 31, 2008	**107,832,445**

Treasury stock outstanding in fiscal year 2008

	Number of shares 2008
Balance at April 1, 2007	**1,450,077**
Increase due to the purchase of 7,107 less-than-one-unit shares	**7,107**
Decrease due to the exercise of stock options for 246,000 shares and the sale of 100 less-than-one-unit shares	**(246,100)**
Balance at March 31, 2008	**1,211,084**

Common stock outstanding in fiscal year 2007

	Number of shares 2007
Balance at April 1, 2006	107,832,445
Increase	—
Decrease	—
Balance at March 31, 2007	107,832,445

Treasury stock outstanding in fiscal year 2007

	Number of shares 2007
Balance at April 1, 2006	1,038,616
Increase due to the purchase of 500,000 shares and the purchase of 5,729 less-than-one-unit shares	505,729
Decrease due to the exercise of stock options for 94,000 shares and the sale of 268 less-than-one-unit shares	(94,268)
Balance at March 31, 2007	1,450,077

B. Dividend information

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

Dividends paid in fiscal 2008 and after March 31, 2008 were as follows:

Dividends paid in fiscal 2008

Approved by	Record date	Effective date	Total amount: Millions of yen	Total amount: *Thousands of U.S. dollars*
Shareholders' meeting on June 26, 2007	March 31, 2007	June 27, 2007	**¥ 638**	***$ 6,380***
Board of directors on November 5, 2007	September 30, 2007	December 11, 2007	**¥ 320**	***$ 3,200***

Dividends paid after March 31, 2008 and for which the record date is in fiscal 2008

Approved by	Record date	Effective date	Total amount: Millions of yen	Total amount: *Thousands of U.S. dollars*
Shareholders' meeting on June 25, 2008	March 31, 2008	June 26, 2008	**¥ 426**	***$ 4,260***

Dividends paid in fiscal 2007 and after March 31, 2007 were as follows:

Dividends paid in fiscal 2007

Approved by	Record date	Effective date	Total amount: Millions of yen
Shareholders' meeting on June 28, 2006	March 31, 2006	June 29, 2006	¥ 427

Dividends paid after March 31, 2007 and for which the record date is in fiscal 2007

Approved by	Record date	Effective date	Total amount: Millions of yen
Shareholders' meeting on June 26, 2007	March 31, 2007	June 27, 2007	¥ 638

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2008 and 2007 were ¥5,397 million *($53,970 thousand)* and ¥5,192 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Salaries and bonuses for employees	**¥ 6,224**	¥ 5,927	***$ 62,240***
Research and development expenses	**4,017**	3,207	***40,170***
Cost of transportion of goods	**1,561**	1,456	***15,610***
Selling commissions	**1,042**	1,206	***10,420***
Retirement benefits	**408**	316	***4,080***
Allowance for bonuses to directors	**105**	84	***1,050***

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Loans guaranteed jointly and severally with other companies	**¥ 469**	¥ 574	***$ 4,690***
Trade notes discounted	**47**	—	***470***
Trade notes endorsed	**74**	96	***740***

13. DERIVATIVE TRANSACTIONS

The Companies enter into forward currency exchange transactions and interest rate swaps to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies and interest rate increases with respect to debt. The Companies use derivative transactions and interest swaps in connection with managing market risk and not for speculation. The Companies deal with highly rated international financial institutions as counterparties to these transactions to minimize credit risk exposure. The derivative transactions are entered into by the operating and purchasing divisions and controlled in accordance with established policies by the accounting divisions.

Outstanding derivatives as of March 31, 2008 were as follows:

		Millions of yen			
		2008			
		Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Forward currency exchange transactions for:					
Trade receivables	U.S. dollars	**¥ 211**	**—**	**¥ 203**	**¥ 8**
	Thai baht	**104**	**—**	**108**	**(4)**
Trade payables	Japanese yen	**482**	**—**	**463**	**(19)**
	U.S. dollars	**50**	**—**	**44**	**(6)**
Total		**—**	**—**	**—**	**¥ (21)**

		Thousands of U.S. dollars			
		2008			
		Contracted amount	*Amount of principal due over one year*	*Fair value*	*Recognized gain (loss)*
Forward currency exchange transactions for:					
Trade receivables	*U.S. dollars*	***$ 2,110***	***—***	***$ 2,030***	***$ 80***
	Thai baht	***1,040***	***—***	***1,080***	***(40)***
Trade payables	*Japanese yen*	***4,820***	***—***	***4,630***	***(190)***
	U.S. dollars	***500***	***—***	***440***	***(60)***
Total		***—***	***—***	***—***	***$ (210)***

Outstanding derivatives as of March 31, 2007 were as follows:

		Millions of yen			
		2007			
		Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Forward currency exchange transactions for:					
Trade receivables	U.S. dollars	¥ 154	—	¥ 157	¥ (3)
	Thai baht	132	—	135	(3)
Trade payables	Japanese yen	699	—	680	(19)
	U.S. dollars	3	—	3	(0)
Total		—	—	—	¥ (25)

14. INCOME TAXES

The Companies are subject to several taxes based on income which, in the aggregate, indicate statutory rates in Japan of approximately 41% for the years ended March 31, 2008 and 2007.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Severance and retirement benefits	¥ 1,654	¥ 2,076	$ 16,540
Employees' bonuses	1,032	955	10,320
Devaluation of inventories	762	541	7,620
Tax loss carryforwards	155	539	1,550
Cost of sales	507	510	5,070
Reserve for deferred gains related fixed assets for tax purposes	581	505	5,810
Impairment loss of fixed assets	125	—	1,250
Research and development expenses	560	421	5,600
Write-down of investment in unconsolidated subsidiaries and affiliates	88	75	880
Enterprise taxes	51	117	510
Allowance for losses on contracts	176	—	1,760
Unrealized intercompany profits	522	314	5,220
Allowance for environmental protection measures	1,009	1,009	10,090
Write-down of investment securities	233	230	2,330
Other temporary differences	1,112	864	11,120
Total deferred tax assets	8,567	8,156	85,670
Valuation allowance	(2,813)	(2,729)	(28,130)
Net deferred tax assets	5,754	5,427	57,540
Deferred tax liabilities:			
Depreciation	(272)	(279)	(2,720)
Unrealized gains on investment securities	(914)	(2,103)	(9,140)
Undistributed earnings of overseas subsidiaries	(380)	(193)	(3,800)
Other temporary differences	(50)	(47)	(500)
Total deferred tax liabilities	(1,616)	(2,622)	(16,160)
Net deferred tax assets	¥ 4,138	¥ 2,805	$ 41,380

Reconciliations in the balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets reported in current assets	¥ 3,474	¥ 2,976	$ 34,740
Deferred tax assets reported in investments and other assets	1,049	118	10,490
Deferred tax liabilities reported in long-term liabilities	(385)	(289)	(3,850)
Net deferred tax assets	¥ 4,138	¥ 2,805	$ 41,380

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Statutory income tax rate	41.0%	41.0%
Nondeductible expenses	2.2	2.1
Nontaxable dividend income	(0.8)	(0.3)
Inhabitants taxes	1.2	1.3
Changes in valuation allowance	1.4	(1.9)
Foreign tax credit	(4.8)	(4.6)
Tax credit for reserch and development expenses	(5.8)	(5.9)
Effect of lower tax rate in overseas subsidiaries	(8.5)	(11.8)
Dividend income from overseas subsidiaries	6.5	10.6
Prior year income tax adjustment	—	(1.9)
Other	1.2	0.7
Effective income tax rate	33.6%	29.3%

15. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Projected benefit obligation	**¥ 23,225**	¥ 23,341	***$ 232,250***
Unrecognized prior service costs	**(66)**	(157)	***(660)***
Unrecognized actuarial differences	**(5,644)**	(1,582)	***(56,440)***
Prepaid pension cost	**2,013**	1,268	***20,130***
Less fair value of pension assets	**(16,516)**	(19,991)	***(165,160)***
Liability for severance and retirement benefits	**¥ 3,012**	¥ 2,879	***$ 30,120***

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2008 and 2007 were comprised as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2008	2007	***2008***
Service costs - benefits earned during the year	**¥ 763**	¥ 722	***$ 7,630***
Interest cost on projected benefit obligation	**581**	581	***5,810***
Expected return on plan assets	**(414)**	(384)	***(4,140)***
Amortization of prior service costs	**72**	(343)	***720***
Amortization of unrecognized actuarial differences	**334**	374	***3,340***
Severance and retirement benefit expenses	**¥ 1,336**	¥ 950	***$ 13,360***
Payment of defined contribution plans	**143**	141	***1,430***
Total	**¥ 1,479**	¥ 1,091	***$ 14,790***

Assumptions used for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Method of attributing benefits to periods of service	**straight-line basis**	straight-line basis
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	2.5%
Amortization period of prior service cost	**3 years**	3 years
Amortization period of unrecognized actuarial differences	**mainly 15 years**	15 years

16. IMPAIRMENT LOSS OF FIXED ASSETS

The Companies recognized impairment loss for the following asset group for the year ended March 31, 2008.

Location	Group	Assets	Impairment loss: Millions of yen	Impairment loss: *Thousands of U.S. dollars*
Shiga office of Nissin Ion Equipment Co., Ltd.	Idle assets	Machinery and equipment (machinery)	**¥ 309**	*$ 3,090*

The Companies group their long-lived assets into asset groups by business segment. Idle assets are tested for recoverability by the individual asset. Nissin Ion Equipment Co., Ltd. recognized impairment loss in the amount of ¥309 million *($3,090 thousand)* for machinery in 2008, because there were no prospects for the machinery's future use. The book value of the machinery was written down to the recoverable amount and the Company recognized an impairment loss. The recoverable amount was assessed at the net selling price, which was zero.

17. SEGMENT INFORMATION

A. Industry Segments

The Companies' businesses are divided into two principal business segments: the power system equipment segment and the Charged particle beam-oriented equipment segment.

Industry segment information is as follows:

Year ended March 31, 2008	Millions of yen				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	**¥ 78,601**	**¥ 26,673**	**¥ 105,274**	**¥ —**	**¥ 105,274**
Intersegment sales	**368**	**16**	**384**	**(384)**	**—**
Total	**78,969**	**26,689**	**105,658**	**(384)**	**105,274**
Operating costs and expenses	**71,058**	**25,307**	**96,365**	**2,308**	**98,673**
Operating income	**¥7,911**	**¥ 1,382**	**¥ 9,293**	**¥ (2,692)**	**¥ 6,601**
Assets	**¥ 79,243**	**¥ 30,460**	**¥ 109,703**	**¥ 7,207**	**¥ 116,910**
Depreciation and amortization	**1,987**	**1,163**	**3,150**	**168**	**3,318**
Impairment losses of fixed assets	**—**	**309**	**309**	**—**	**309**
Capital expenditures	**2,751**	**1,708**	**4,459**	**182**	**4,641**

Year ended March 31, 2007	Millions of yen				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	¥ 69,366	¥ 27,055	¥ 96,421	¥ —	¥ 96,421
Intersegment sales	289	30	319	(319)	—
Total	69,655	27,085	96,740	(319)	96,421
Operating costs and expenses	64,324	24,594	88,918	1,549	90,467
Operating income	¥ 5,331	¥ 2,491	¥ 7,822	¥ (1,868)	¥ 5,954
Assets	¥ 67,336	¥ 29,402	¥ 96,738	¥ 11,294	¥ 108,032
Depreciation and amortization	1,466	954	2,420	129	2,549
Capital expenditures	2,724	1,630	4,354	255	4,609

Year ended March 31, 2008	*Thousands of U.S. dollars*				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	***$ 786,010***	***$ 266,730***	***$ 1,052,740***	***$ —***	***$ 1,052,740***
Intersegment sales	***3,680***	***160***	***3,840***	***(3,840)***	***—***
Total	***789,690***	***266,890***	***1,056,580***	***(3,840)***	***1,052,740***
Operating costs and expenses	***710,580***	***253,070***	***963,650***	***23,080***	***986,730***
Operating income	***$ 79,110***	***$ 13,820***	***$ 92,930***	***$ (26,920)***	***$ 66,010***
Assets	***$ 792,430***	***$ 304,600***	***$ 1,097,030***	***$ 72,070***	***$ 1,169,100***
Depreciation and amortization	***19,870***	***11,630***	***31,500***	***1,680***	***33,180***
Impairment losses of fixed assets	***—***	***3,090***	***3,090***	***—***	***3,090***
Capital expenditures	***27,510***	***17,080***	***44,590***	***1,820***	***46,410***

Corporate operating expenses of ¥2,699 million *($26,990 thousand)* and ¥1,868 million for the years ended March 31, 2008 and 2007, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥7,307 million *($73,070 thousand)* and ¥11,435 million at March 31, 2008 and 2007, respectively, were comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

After changing the accounting policy for allowance for bonuses to directors as explained in Note 2, for the year ended March 31, 2007, operating income was ¥7 million less in the power system equipment segment, ¥27 million less in the charged particle beam-oriented equipment segment and ¥50 million less in corporate than what would have been recorded without the change of the accounting policy.

After changing the accounting policy for stock options as explained in Note 2, operating income was ¥12 million less in corporate for the year ended March 31, 2007.

In accordance with the provisions of the revised Corporation Tax Law as explained in Note 2, the Domestic Companies adopted a new depreciation method for tangible fixed assets acquired on or after April 1, 2007. As a result of this change, operating income was ¥36 million *($360 thousand)* less in the power system equipment segment, ¥44 million *($440 thousand)* less in the charged particle beam-oriented equipment segment and ¥22 million *($220 thousand)* less in corporate than what would have been recorded without the change of the accounting policy.

For tangible fixed assets acquired on or before March 31, 2007, the differences between their residual values and memorandum values (¥1) are depreciated in acordance with the Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches 5% of its aquisition cost, the difference between the residual value and the memorandum value is depreciated in an equal amount over five years from the following fiscal year. As a result of this change, operating income was ¥124 million *($1,240 thousand)* less in the power system equipment segment, ¥3 million *($30 thousand)* less in the charged particle beam-oriented equipment segment and ¥16 million *($160 thousand)* less in corporate than what would have been recorded without the change of the accounting policy.

B. Geographical Segments

Geographical segment information is as follows:

Year ended March 31, 2008	Millions of yen					
	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
Sales and operating income:						
Sales to outside customers	¥ 85,104	¥ 20,008	¥ 162	¥ 105,274	¥ —	¥ 105,274
Intersegment sales	4,062	1,631	30	5,723	(5,723)	—
Total	89,166	21,639	192	110,997	(5,723)	105,274
Operating costs and expenses	82,102	19,250	185	101,537	(2,864)	98,673
Operating income	¥ 7,064	¥ 2,389	¥ 7	¥ 9,460	¥ (2,859)	¥ 6,601
Assets	¥ 89,361	¥ 29,382	¥ 301	¥ 119,044	¥ (2,134)	¥ 116,910

Year ended March 31, 2007	Millions of yen					
	Japan	Asia	Other	Total	Elimination or corporate	
Sales and operating income:						
Sales to outside customers	¥ 79,043	¥ 16,974	¥ 404	¥ 96,421	¥ —	¥ 96,421
Intersegment sales	2,910	1,290	95	4,295	(4,295)	—
Total	81,953	18,264	499	100,716	(4,295)	96,421
Operating costs and expenses	76,611	15,974	500	93,085	(2,618)	90,467
Operating income	¥ 5,342	¥ 2,290	(1)	¥ 7,631	¥ (1,677)	¥ 5,954
Assets	¥ 81,385	¥ 22,276	¥ 278	¥ 103,939	¥ 4,093	¥ 108,032

Year ended March 31, 2008	*Thousands of U.S. dollars*					
	Japan	*Asia*	*Other*	*Total*	*Elimination or corporate*	*Consolidated*
Sales and operating income:						
Sales to outside customers	*$ 851,040*	*$ 200,080*	*$ 1,620*	*$ 1,052,740*	*$ —*	*$ 1,052,740*
Intersegment sales	*40,620*	*16,310*	*300*	*57,230*	*(57,230)*	*—*
Total	*891,660*	*216,390*	*1,920*	*1,109,970*	*(57,230)*	*1,052,740*
Operating costs and expenses	*821,020*	*192,500*	*1,850*	*1,015,370*	*(28,640)*	*986,730*
Operating income	*$ 70,640*	*$ 23,890*	*$ 70*	*$ 94,600*	*$ (28,590)*	*$ 66,010*
Assets	*$ 893,610*	*$ 293,820*	*$ 3,010*	*$ 1,190,440*	*$ (21,340)*	*$ 1,169,100*

Corporate operating expenses of ¥2,699 million *($26,990 thousand)* and ¥1,868 million for the years ended March 31, 2008 and 2007, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥7,307 million *($73,070 thousand)* and ¥11,435 million at March 31, 2008 and 2007, respectively, were comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

After changing the accounting policy for allowance for bonuses to directors as explained in Note 2, for the year ended March 31, 2007, operating income was ¥34 million less in Japan and ¥50 million less in corporate than what would have been recorded without the change of the accounting policy.

After changing the accounting policy for stock options as explained in Note 2, operating income was ¥12 million less in corporate for the year ended March 31, 2007.

In accordance with the provisions of the revised Corporation Tax Law as explained in Note 2, the Domestic Companies adopted a new depreciation method for tangible fixed assets acquired on or after April 1, 2007. As a result of this change, operating income was ¥80 million *($800 thousand)* less in Japan and ¥22 million *($220 thousand)* less in corporate than what would have been recorded without the change of the accounting policy.

For tangible fixed assets acquired on or before March 31, 2007, the differences between their residual values and memorandum values (¥1) are depreciated in acordance with the Tax Law. Specifically, when the depreciated value of a tangible fixed asset reaches 5% of its aquisition cost, the difference between the residual value and the memorandum value is depreciated in an equal amount over five years from the next fiscal year. As a result of this change, operating income was ¥127 million *($1,270 thousand)* less in Japan and ¥16 million *($160 thousand)* less in corporate than what would have been recorded without the change of the accounting policy.

C. Overseas Sales

Overseas sales were as flows:

Year ended March 31, 2008	Millions of yen	Ratio of overseas sales to consolidated net sales	*Thousands of U.S. dollars*
Asia (China, Taiwan, Korea and others)	¥ 27,536	26.16%	*$ 275,360*
Other areas (U.S.A. and others)	961	0.91	*9,610*
Total	¥ 28,497	27.07%	*$ 284,970*

Year ended March 31, 2007	Millions of yen	Ratio of overseas sales to consolidated net sales
Asia (China, Taiwan, Korea and others)	¥ 26,971	27.97%
Other areas (U.S.A. and others)	1,590	1.65
Total	¥ 28,561	29.62%

Independent Auditors' Report

To the Shareholders and Board of Directors of Nissin Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nissin Electric Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 2 to the consolidated financial statements, effective April 1, 2006, the Company and its consolidated domestic subsidiaries adopted new accounting standards for the presentation of net assets in the balance sheet.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 25, 2008

Corporate Data (as of March 31, 2008)

Company Outline

Company Name
Nissin Electric Co., Ltd.

Founded
November 1910

Incorporated
April 1917

Head Office
47 Umezu-takase-cho,Ukyo-ku,
Kyoto 615-8686, Japan
Telephone: +81-75-861-3151
Facsimile: +81-75-872-0742

Stated Capital
¥10,252,845,127

Authorized Shares
431,329,000

Issued Shares
107,832,445

Employees
4,432

Board of Directors and Statutory Auditors
(as of June 25, 2008)

Chairman
Koshi Itaka

President
Yoshikazu Amano*

Senior Managing Director
Toshihiro Miyazaki*

Managing Directors
Yoshinori Goko
Masayuki Ueda
Kenkichi Nakano
Satoru Nakahori
Kazumasa Ishida

Standing Auditors
Eiichi Fujikawa
Fusao Kimma

Auditors
Mamoru Morita
Toshihide Kimura

* Representative Director

Major Offices and Plants

Head Office and Plant
47 Umezu-takase-cho, Ukyo-ku, Kyoto
615-8686, Japan
Telephone: +81-75-861-3151
Facsimile: +81-75-872-0742

Tokyo Office
International Business Division
1 Kandaizumi-cho, Chiyoda-ku, Tokyo
101-0024, Japan
Telephone: +81-3-5821-5908
Facsimile: +81-3-5821-5877

Maebashi Plant
2121 Soja, Soja-machi, Maebashi, Gumma
371-8515, Japan
Telephone: +81-272-51-1131
Facsimile: +81-272-51-3257

Kuze Plant
575 Kuze Tonoshiro-cho Minami-ku, kyoto
601-8205, Japan
Telephone: +81-75-922-4611
Facsimile: +81-75-922-4615

Domestic Major Subsidiaries and Affiliates

Nissin Ion Equipment Co., Ltd.
Business Line: Manufacturing and customer service of LSI/LCD manufacturing equipment

NHV Corporation
Business Line: Manufacturing and customer service for Electron Processing Systems, Irradiation service of Electron Beam

Nippon ITF Inc.
Business Line: Thin film coating of various materials

Nissin Power Distribution Systems Co., Ltd.
Business Line: Manufacturing and sales of switchgears and its parts

Eco Tron Co., Ltd.
Business Line: R&D, manufacturing and sales of power semi-conductors

Nissin Technos Co., Ltd.
Business Line: Construction, installation, after-sale service and maintenance

Nissin Denki Shouji Co., Ltd.
Business Line: Sales of electrical equipment

Nissin Systems Co., Ltd.
Business Line: Design and sales of computer software

Overseas Major Subsidiaries and Affiliates

Nissin Electric (Thailand) Co., Ltd.
Pathumthani, Thailand
Business Line: Manufacturing and sales of power capacitors and metal parts

Nissin Allis Electric Co., Ltd.
Taoyuan, Taiwan
Business Line: Manufacturing and sales of gas insulated switchgears

Nissin Electric (Wuxi) Co., Ltd.
Wuxi Jiangsu China
Business Line: Manufauturing and sales of power capacitors and capacitor voltage transformers

Nissin Electric Wuxi Co., Ltd.
Wuxi Jiangsu China
Business Line: Manufacturing and sales of gas-insulated voltage transformer for GIS

Beijing Hongda Nissin Electric Co., Ltd.
Beijing, China
Business Line: Manufacturing and sales of gas insulated switchgears (GIS)

Nissin Advanced Coating (Dongguan) Co., Ltd.
Dongguan, China
Business Line: Thin film coating of various materials

Nissin Advanced Coating (Dalian) Technology Co.,Ltd.
Dalian, China
Business Line: R&D, coating technology and equipment and the related consulting services

Nissin Advanced Coating (Shenyang) Co., Ltd.
Shenyang, China
Business Line: Thin film coating service

Nissin Advanced Coating (Tianjin) Co.,Ltd.
Tianjin, China
Business Line: Thin film coating service

Nissin Advanced Coating Indo Co., Ltd.
Noida, India
Business Line: Thin film coating service

Nissin Allis Union Ion Equipment Co., Ltd.
Hsin-Chu City, Taiwan
Business Line: Customer service of LSI/LCD manufacturing equipment

Nissin Allis Ion Equipment (Shanghai) Co., Ltd.
PuDong New Area, Shanghai, China
Business Line: Sales and customer service of LSI/LCD manufacturing equipment

Nissin Ion Korea Co., Ltd.
Kwangju-City, Kyungki-Do Korea
Business Line: Sales and customer service of LSI/LCD manufacturing equipment

NHV America Inc.
Methuen, Massachusetts, U.S.A.
Business Line: Sales and customer service of electron processing systems

NHV Corporation Shanghai
Shanghai, China
Business Line: Manufacturing and customer service for electron processing systems

Thai NEB Co., Ltd.
Pathumthani, Thailand
Business Line: Sales and engineering service of electrical equipment

Nissin Electric Vietnam Co., Ltd.
Bac Ninh, Vietnam
Business Line: Manufacturing of metal parts

NISSIN ELECTRIC CO., LTD.

47, Umezu-Takase-cho, Ukyo-ku, Kyoto
615-8686, Japan
Telephone: +81-75-861-3151
Facsimile: +81-75-872-0742
http://nissin.jp/

Cover Story

Sekison-tei

Sekison-tei was the mansion of Junichiro Tanizaki, a great writer known as the author of "The Makioka Sisters". He passed over the residence to Nissin in 1956 when he left Kyoto. At that time, he requested that the mansion be maintained in the same condition, since he wanted to see it on his visits to Kyoto. Nissin has kept this promise to Tanizaki, and is using this mansion as a guest house while maintaining its traditional elegance. Visitors cleanse their hands at this stone basin located in front of the main building.

PRINTED WITH SOY INK™

This brochure is printed on recycled paper with soy ink to reduce environmental impact.

Cat.No.1082 R12 2008.10 A1690 BC