ANNUAL REPORT 2007

Year Ended March 31, 2007

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.

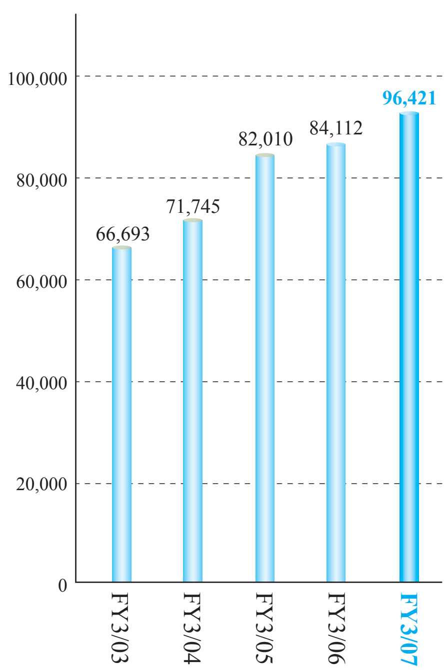
Consolidated Financial Highlights

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

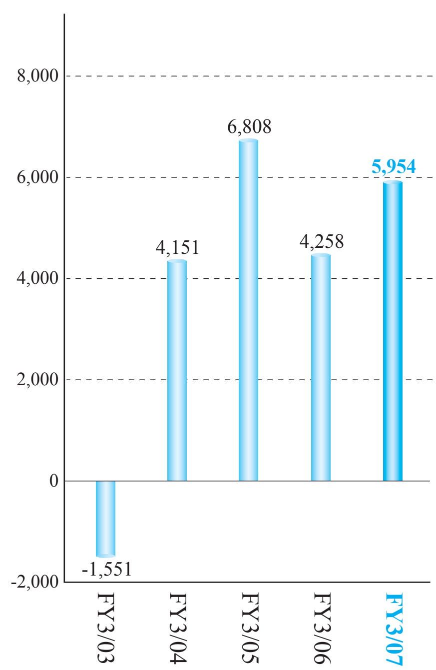
	Millions of yen					Thousands of U.S. dollars
	2007	2006	2005	2004	2003	***2007***
Net sales	**¥ 96,421**	¥ 84,112	¥ 82,010	¥ 71,745	¥ 66,693	***$ 817,127***
Operating income (loss)	**5,954**	4,258	6,808	4,151	(1,551)	***50,458***
Net income (loss)	**3,010**	2,144	2,403	1,664	(3,415)	***25,509***
Total assets	**108,032**	98,160	86,146	83,267	77,077	***915,526***
Shareholders' equity	**48,040**	45,169	40,774	39,169	36,814	***407,119***
Capital expenditure	**4,609**	5,543	2,259	2,209	2,135	***39,059***
Depreciation and amortization	**2,549**	2,042	1,717	1,720	1,939	***21,602***
Research and development expenses	**5,192**	3,863	3,345	2,673	3,222	***44,000***
Per share of common stock:	Yen					*U.S. dollars*
Net income (loss)	**¥ 28.26**	¥ 19.61	¥ 21.98	¥ 15.31	¥ (31.84)	***$ 0.24***
Diluted net income	**28.20**	19.55	21.93	15.29	—	***0.24***
Cash dividends	**6.00**	4.00	3.00	3.00	—	***0.05***
Shareholders' equity	**451.58**	422.47	381.28	366.98	344.20	***3.83***

Note: 1. For convenience only, U.S. dollar amounts are translated from Japanese yen at the rate of ¥118 = US$1.00 the approximate exchange rate prevailing on March 31, 2007.
2. Shareholders' equity = Net assets excluding share subscription rights and minority interests.

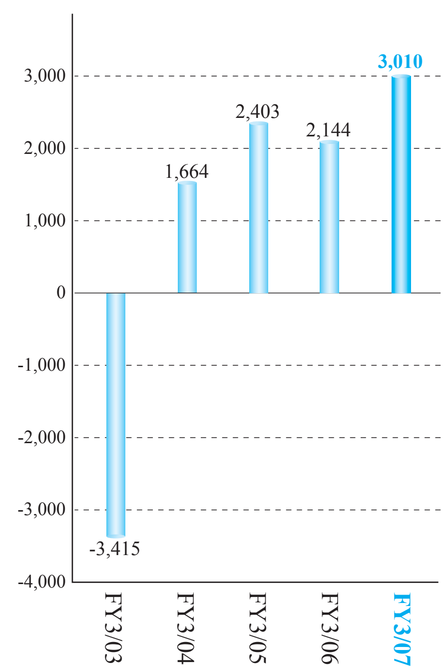
Net sales
(Millions of yen)



Operating income(loss)
(Millions of yen)



Net income (loss)
(Millions of yen)



Message from the President

Yoshikazu Amano
President

Business results for the current fiscal year

During FY2006, ended March 31, 2007, Japanese demand for the power system equipment—one of our core business segments—rose steadily, boosted by demand from both the private sector and electric power utilities. Demand in China and other oversees markets enjoyed similar growth. Meanwhile, demand growth for charged particle beam-oriented equipment was slight, as this market entered a correction phase.

In this environment, consolidated net sales amounted to ¥96,421 million, up 14.6% from the previous term. Consolidated operating income was ¥5,954 million, up 39.8%, owing to effective cost-cutting efforts to combat increasingly intense competition and rising domestic materials prices. Also contributing was positive performance from our overseas subsidiaries, which recorded increases in both sales and income. Despite recording a ¥286 million allowance for environmental protection measures as an extraordinary loss, consolidated net income rose 40.4%, to ¥3,010 million. As for dividends, the Company paid annual dividends of ¥6 per share, up ¥2 from the previous term—a real per-share dividend increase of ¥1 and a ¥1 dividend to commemorate our 90th anniversary of establishment.

The power system equipment segment

Sales of the power system equipment rose 16.5% during the year, to ¥69,366 million. Private-sector demand for substation equipment grew steadily, as did public-sector demand for use in power utilities. Notable overseas demand increases were from Chinese power utilities. However, public-sector demand for supervisory telecontrol equipment decreased, while private-sector demand rose. Consequently, segment operating income was ¥5,331 million, up 74.0%, a satisfactory outcome stemming from increased production and cost-cutting. These efforts overcame the effects of increasingly intense competition, which pushed down selling prices, and higher materials costs. Power equipment orders received came to ¥78,848 million, up 29.4%.

The charged particle beam-oriented equipment segment

Sales in this segment amounted to ¥27,055 million, up 10.2% from the previous term. Exports of semi-conductor manufacturing and electron beam processing systems increased, and net sales of thin-film coating services for automobile parts expanded. Nevertheless, operating income fell 9.5%, to ¥2,491 million, owing to higher equipment depreciation and test model development expenses. Orders received were up 8.1%, to ¥26,756 million. Particularly strong were increases in orders for semi-conductor manufacturing equipment and thin-film coating services.

Forecast for the following fiscal year

During the year ending March 31, 2008, we anticipate rising domestic private-sector and power utility demand for the power system equipment. We also expect increased sales of substation equipment and reactive power compensation equipment, buoyed by strong ongoing demand from Chinese power utilities. In the charged particle beam-oriented equipment segment, we forecast a decline in sales of semi-conductor manufacturing equipment, although sales of thin-film coating services should increase. Overall, we forecast a 3.7% year-on-year increase in consolidated net sales, to ¥100 billion.

In the upcoming term, the business environment is likely to remain harsh, affected by such ongoing factors as stiff competition and high materials prices. Consequently, we expect operating income to decrease 7.6%, to ¥5.5 billion, despite continued cost-cutting efforts. As a result, consolidated net income is likely to be ¥3 billion—approximately the same level as during the year under review.

Vision 2010, Our Medium- to Long-Term Business Plan

We believe that the mission of our corporate group is to “forge a bright future for both people and technology” by creating original technologies and supporting the social and industrial infrastructure. At the same time, we aim to realize a society that is sustainable and friendly to both people and the environment. To achieve this mission, we must establish relationships of trust with our customers, shareholders, business partners, employees and society as a whole. We have formulated Vision 2010, our medium- to long-term business plan for the years from FY2006 to FY2010, to ensure that the Nissin Electric Group builds a strong presence in both the domestic and overseas markets as it continues to grow. The year under review was the first year covered by this plan. During the year, we successfully progressed toward our sales and income objectives, outstripping our initial forecasts.

Targets for FY 2010

Consolidated net sales:	¥130 billion
Consolidated operating income:	¥10 billion
ROA*:	8% or more
Dividends per share:	¥10 or more

*ROA=operating income divided by average capital employed

The key tenets of Vision 2010 are outlined below.

Enhancing Corporate Qualities

The Group’s activities depend on successfully cultivating and deploying its human resources and reinventing operating processes according to the key concepts of challenge, speed and personal responsibility. As a corporate citizen, we recognize our duty to fulfill our corporate social responsibilities (CSR). To nurture human resources, we intend to develop an educational system that supports personnel across every section and at every career level. We plan to establish the Nissin Techno-Academy, equipped with actual machinery and information technologies, to enhance our ability to pass on technical expertise.

The main purpose of the Group's CSR activities is to achieve the goals outlined by our corporate philosophy. We believe that pursuing our corporate philosophy will lead us to solidify our social and industrial base and fulfill our social responsibilities. Accordingly, we will act with appropriate regard to our corporate governance functions and reinforce and promote compliance. During the previous term, we established a team to restructure our internal control system to enhance the reliability of our financial reports. We intend to retain this team in its current role.

Reinforcing the power system equipment segment

In line with the concept of "Nissin, a specialist in downsizing," we will continue to make our substation equipment more compact. We plan to launch a new series of equipment, starting with the world's smallest gas insulated switchgear. We also intend to enhance our lineup of power quality products with a series of voltage dip & interruption compensator and electric double layer capacitor to shield plant facilities from sudden voltage drops caused by lightning strikes. Our group has production bases in China, Taiwan, Thailand and Vietnam, and we plan to expand our business in these countries. Furthermore, we will aggressively develop our business in Japan, China and Southeast Asia by making such bases core Group production sites. This strategy is in line with our focus on manufacturing in the most appropriate locations, supporting the expansion of the domestic market and driving product development.

Reinforcing the charged particle beam-oriented equipment segment; Cultivating New Business

Within the charged particle beam-oriented equipment segment, we enjoy a leading share of the Japanese and other Asian markets for medium current ion implanters. We aim to develop next-generation equipment to ensure that we retain this leadership position as competition intensifies. We will expand the applications for our electron beam processing systems, which currently holds the top share of the global market, and seeks to expand this business by cultivating overseas sales. In thin-film coating services, we aim to increase orders by expanding production bases to satisfy the needs of overseas customers. We will continue to develop our systems to enhance product quality, expand our domestic service bases and meet the robust demand for our automobile parts coating services. Through selective and focused investments in research and development, we plan to commercialize additional products that will result in new business.

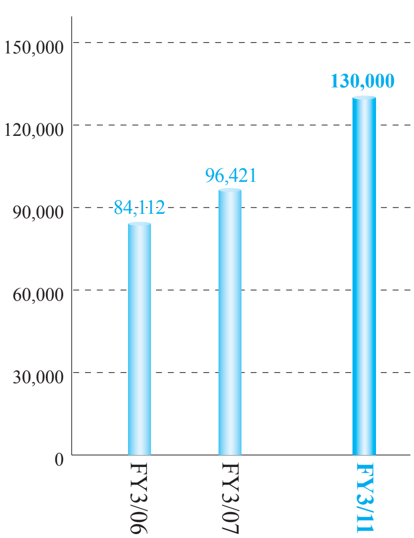
Through the activities described above, we strive to reinforce the Nissin Electric Group's corporate and brand values, while bolstering operating performance. In these endeavors, we look forward to your continued support and encouragement.

Business results fo

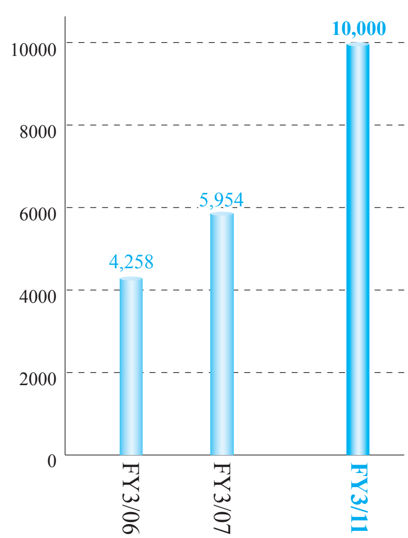
During FY2006, en
power system equi
steadily, boosted by

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

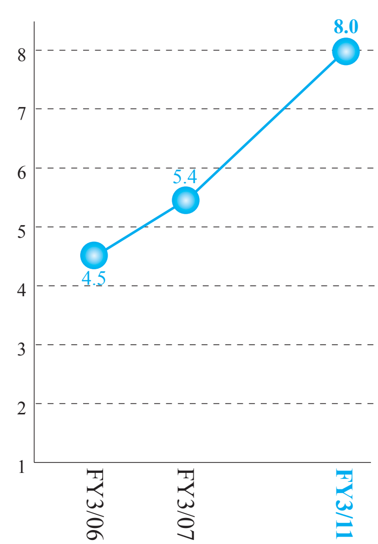
Sales: 130 billion yen



Operating income: 10 billion yen



Management indicator: ROA of 8% of above



Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars(Note 1)
ASSETS	**2007**	2006	***2007***
Current Assets:			
Cash and cash equivalents	**¥ 6,690**	¥ 9,752	***$ 56,695***
Time deposits	**139**	254	***1,178***
Receivables:			
Trade notes and accounts	**38,021**	32,421	***322,212***
Other	**1,092**	863	***9,254***
	39,113	33,284	***331,466***
Allowance for doubtful receivables	**(21)**	(18)	***(178)***
	39,092	33,266	***331,288***
Inventories (Note 4)	**24,171**	21,340	***204,839***
Deferred tax assets (Note 14)	**2,976**	2,132	***25,220***
Other current assets	**1,102**	880	***9,339***
Total current assets	**74,170**	67,624	***628,559***
Property, plant and equipment:			
Land	**2,128**	2,115	***18,034***
Buildings and structures (Note 6)	**23,555**	22,277	***199,619***
Machinery and equipment	**30,685**	29,514	***260,042***
Construction in progress	**919**	1,045	***7,788***
Total property, plant and equipment	**57,287**	54,951	***485,483***
Accumulated depreciation	**(36,898)**	(36,287)	***(312,695)***
Net property, plant and equipment	**20,389**	18,664	***172,788***
Investments and other assets:			
Investment securities (Note 3 and 7)	**8,744**	8,108	***74,102***
Deferred tax assets (Note 14)	**118**	748	***1,000***
Other assets	**2,637**	1,519	***22,348***
Allowance for doubtful receivables	**(280)**	(257)	***(2,373)***
Total investments and other assets	**11,219**	10,118	***95,077***
Intangible assets	**2,254**	1,754	***19,102***
	¥ 108,032	¥ 98,160	***$ 915,526***

See accompanying notes.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY / NET ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars(Note 1) 2007
Current liabilities:			
Short-term bank loans (Note 5)	¥ 11,336	¥ 8,651	$ 96,068
Payables:			
Trade notes and accounts	22,170	19,757	187,881
Other	2,179	1,393	18,466
	24,349	21,150	206,347
Advances from customers	5,814	5,345	49,271
Accrued income taxes (Note 14)	1,326	509	11,237
Accrued expenses	6,340	5,228	53,729
Allowance for bonuses to directors (Note 2)	84	—	712
Other current liabilities	301	595	2,551
Total current liabilities	49,550	41,478	419,915
Long-term liabilities:			
Long-term debt due after one year (Note 5)	259	756	2,195
Pension payable for transition to defined contribution plan	1,646	—	13,949
Employees' severance and retirement benefits (Note 15)	2,879	5,566	24,398
Directors and statutory auditors' retirement benefits	—	31	—
Deferred tax liabilities (Note 14)	289	16	2,449
Allowance for environmental protection measures	2,486	2,200	21,068
Other long-term liabilities	216	164	1,831
Total long-term liabilities	7,775	8,733	65,890
Contingent liabilities (Note 12)			
MINORITY INTERESTS	—	2,780	—
SHAREHOLDERS' EQUITY (Note 8)**:**			
Common stock:			
Authorized - 380,000,000 shares in 2006			
Issued and outstanding - 107,832,445 shares in 2006	—	10,253	—
Capital surplus	—	6,634	—
Retained earnings	—	25,441	—
Net unrealized holding gains on securities	—	2,993	—
Foreign currency translation adjustments	—	107	—
Treasury stock, at cost:			
1,038,616 shares in 2006	—	(259)	—
Total shareholders' equity	—	45,169	—
NET ASSETS (Note 1 and 8):			
Shareholders' equity (Note 8):			
Common stock:			
Authorized - 431,329,000 shares in 2007			
Issued and outstanding - 107,832,445 shares in 2007	10,253	—	86,890
Capital surplus	6,634	—	56,220
Retained earnings	27,967	—	237,009
Treasury stock, at cost:			
1,450,077 shares in 2007	(447)	—	(3,788)
Total shareholders' equity	44,407	—	376,331
Valuation and translation adjustments:			
Unrealized gains (losses) on securities, net of taxes	3,223	—	27,313
Unrealized gains (losses) on hedging derivatives, net of taxes	(3)	—	(25)
Foreign currency translation adjustments	413	—	3,500
Total valuation and translation adjustments	3,633	—	30,788
Share subscription rights	12	—	102
Minority interests	2,655	—	22,500
Total net assets	50,707	—	429,721
	¥ 108,032	¥ 98,160	$ 915,526

See accompanying notes.

Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		*Thousands of U.S. dollars(Note 1)*
	2007	2006	***2007***
Net sales	**¥ 96,421**	¥ 84,112	***$ 817,127***
Cost and expenses:			
Cost of sales (Note 10)	**70,775**	62,403	***599,788***
Selling, general and administrative expenses (Notes 10 and 11)	**19,692**	17,451	***166,881***
Operating income	**5,954**	4,258	***50,458***
Other income (expenses):			
Interest and dividend income	**122**	88	***1,034***
Interest expense	**(264)**	(157)	***(2,237)***
Foreign currency exchange gains	**9**	93	***76***
Loss on disposal of property, plant and equipment	**(154)**	(131)	***(1,305)***
Allowance for environmental protection measures	**(286)**	—	***(2,424)***
Loss on partial termination of lump-sum payment plans (Note 15)	**—**	(680)	***—***
Other, net	**(114)**	25	***(966)***
Income before income taxes and minority interests	**5,267**	3,496	***44,636***
Income taxes (Note 14):			
Current	**1,757**	1,089	***14,890***
Prior year adjustment	**(101)**	—	***(856)***
Deferred	**(111)**	(370)	***(941)***
Total income taxes	**1,545**	719	***13,093***
Minority interests	**712**	633	***6,034***
Net income	**¥ 3,010**	¥ 2,144	***$ 25,509***
	yen		*U.S. dollars(Note 1)*
Amounts per share:			
Net income	**¥ 28.26**	¥ 19.61	***$ 0.24***
Diluted net income	**28.20**	19.55	***0.24***
Cash dividends applicable to the period	**6.00**	4.00	***0.05***

See accompanying notes.

Consolidated Statements of Changes in Net Assets (Shareholders' Equity)

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

Consolidated Statement of Shareholders' Equity

	Millions of yen						
	Common Stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2005	¥ 10,253	¥ 6,636	¥ 23,680	¥ 1,005	¥ (611)	¥ (189)	¥ 40,774
Cash dividends	—	—	(320)	—	—	—	(320)
Bonuses to directors	—	—	(58)	—	—	—	(58)
Net income	—	—	2,144	—	—	—	2,144
Purchase of treasury stock	—	—	—	—	—	(152)	(152)
Sale of treasury stock	—	(2)	(5)	—	—	82	75
Net changes in the year	—	—	—	1,988	718	—	2,706
Balance at March 31, 2006	¥ 10,253	¥ 6,634	¥ 25,441	¥ 2,993	¥ 107	¥ (259)	¥ 45,169

Consolidated Statements of Changes in Net Assets

	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

	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 in 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

	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, 2006	*$ 86,890*	*$ 56,220*	*$ 215,602*	*$ (2,195)*	*$ 356,517*
Cash dividends	—	—	*(3,619)*	—	*(3,619)*
Bonuses to directors	—	—	*(483)*	—	*(483)*
Net income	—	—	*25,509*	—	*25,509*
Purchase of treasury stock	—	—	—	*(1,814)*	*(1,814)*
Sale of treasury stock	—	*0*	—	*221*	*221*
Balance at March 31, 2007	*$ 86,890*	*$ 56,220*	*$ 237,009*	*$ (3,788)*	*$ 376,331*

	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, 2006	*$ 25,364*	—	*$ 907*	*$ 26,271*	—	*$ 23,560*	*$ 406,348*
Cash dividends	—	—	—	—	—	—	*(3,619)*
Bonuses to directors	—	—	—	—	—	—	*(483)*
Net income	—	—	—	—	—	—	*25,509*
Purchase of treasury stock	—	—	—	—	—	—	*(1,814)*
Sale of treasury stock	—	—	—	—	—	—	*221*
Net changes in the year	*1,949*	*(25)*	*2,593*	*4,517*	*102*	*(1,060)*	*3,559*
Balance at March 31, 2007	*$ 27,313*	*$ (25)*	*$ 3,500*	*$ 30,788*	*$ 102*	*$ 22,500*	*$ 429,721*

See accompanying notes.

Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,267	¥ 3,496	$ 44,636
Adjustments for:			
Depreciation and amortization	2,549	2,042	21,602
Increase (decrease) in allowance for doubtful receivables	41	(28)	347
Increase in allowance for bonuses to directors	84	—	712
Decrease in allowance for employees' retirement benefits	(3,691)	(633)	(31,280)
Increase in pension payable for transition to defined contribution plan	2,111	—	17,890
Increase in long-term accrued amount payable	28	159	237
Loss on partial termination of lump-sum payment plans	—	680	—
Allowance for environmental protection measures	286	—	2,424
Interest and dividend income	(122)	(88)	(1,034)
Interest expense	264	157	2,237
Loss on disposal of property, plant and equipment	154	131	1,305
Changes in assets and liabilities:			
Increase in trade receivables	(5,304)	(1,470)	(44,949)
Increase in inventories	(2,467)	(2,860)	(20,907)
Increase in trade payables	2,243	2,004	19,008
Increase (decrease) in accrued expenses	1,091	(245)	9,246
Increase in advances from customers	406	790	3,441
Decrease in consumption tax payable	(147)	(131)	(1,246)
Other, net	(55)	(48)	(466)
Subtotal	2,738	3,956	23,203
Interest and dividends received	122	88	1,034
Interest paid	(264)	(157)	(2,237)
Income taxes paid	(865)	(1,353)	(7,331)
Net cash provided by operating activities	1,731	2,534	14,669
Cash flows from investing activities:			
Payments for purchase of time deposits	(195)	(724)	(1,653)
Proceeds from refund of time deposits	315	1,015	2,670
Payments for purchase of investment securities	(406)	(1,299)	(3,441)
Payments for purchase of property, plant and equipment	(3,940)	(4,450)	(33,390)
Payments for purchase of intangible assets	(370)	(534)	(3,136)
Payments for purchase of investment in a consolidated subsidiary	(1,004)	—	(8,508)
Other, net	(102)	39	(864)
Net cash used in investing activities	(5,702)	(5,953)	(48,322)
Cash flows from financing activities:			
Increase in short-term loans	2,377	3,066	20,144
Proceeds from long-term debt	196	2,042	1,661
Payments for long-term debt	(672)	(981)	(5,695)
Cash dividends paid to minority shareholders	(528)	(191)	(4,475)
Cash dividends paid	(427)	(320)	(3,619)
Net payments for treasury stock	(187)	(78)	(1,584)
Other, net	81	8	687
Net cash provided by financing activities	840	3,546	7,119
Effect of exchange rate changes on cash and cash equivalents	69	236	584
Net (decrease) increase in cash and cash equivalents	(3,062)	363	(25,950)
Cash and cash equivalents at beginning of year	9,752	9,389	82,645
Cash and cash equivalents at end of year	¥ 6,690	¥ 9,752	$ 56,695

See accompanying notes.

Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities 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 disclosures and the inclusion of consolidated statement of shareholders' equity for 2006, from the consolidated financial statements of 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 Securities 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 consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2, is presented with the consolidated balance sheet as of March 31, 2006, prepared in accordance with the previous presentation rules.

Also, as discussed in Note 2, the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118 to U.S.$1.00 The convenience 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.The

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Nissin Electric Co., Ltd (the "Company") and its fifteen (fifteen in 2006) domestic subsidiaries and sixteen (fourteen in 2006) overseas subsidiaries. Two subsidiaries were consolidated after being newly established. No company was accounted for by the equity method in 2006 or 2007.

Material intercompany 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 during the January 1 to March 31 period are adjusted in these 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, except for transactions with the Company, which are translated at the rates used by the Company.

The Company and its domestic subsidiaries (the "Domestic Companies") report foreign currency translation adjustments in shareholders' equity and 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, 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

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

As for the Domestic Companies, property, plant and equipment are carried at cost. 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.

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 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 bonuses to directors

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

Effective from April 1, 2006, the Company and its consolidated domestic subsidiaries 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 *($712 thousand)* 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 meeting 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 provided 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 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 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

Directors and statutory auditors' retirement benefits

One domestic subsidiary recognized an amount equal to management's estimate of the amounts that would have been payable to directors and statutory auditors at the balance sheet date if they had retired at the date. This subsidiary abolished retirement benefit plans for directors and statutory auditors in this fiscal year and has recognized directors and statutory auditors' retirement benefits as other long-term liabilities.

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 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 Company and its consolidated subsidiaries 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 consolidated balance sheet as of March 31, 2007, prepared in accordance with the New Accounting Standards, comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006, prepared pursuant to the previous presentation rules, comprises the assets, liabilities, minority interests and shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains (losses) on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Share subscription rights and minority interests were included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present share subscription rights and minority interests in the liabilities section and between the long-term liabilities and the shareholders' equity sections, respectively.

The adoption of the New Accounting Standards had no impact 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 *($407,144 thousand)* would have been presented.

Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries 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).

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

Accounting standard for stock option

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries 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 *($102 thousand)* less than they would have been if the new accounting standard had not been adopted.

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

3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2007 and 2006 consisted of the following.

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Available-for-sale securities with available fair values:			
Equity securities	**¥ 8,455**	¥ 7,819	***$ 71,653***
Securities with no available fair values:			
Non-listed equity securities issued by subsidiaries and affiliated companies	**¥ 16**	¥ 16	***$ 136***
Available-for-sale securities:			
Other non-listed equity securities	**262**	263	***2,220***
	¥ 278	¥ 279	***$ 2,356***

The following is a summary of available-for-sale securities included in investment securities that have a quoted market value at March 31, 2007 and 2006.

	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**

	Millions of yen			
2006	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	¥ 2,746	¥ 5,086	¥ 13	¥ 7,819

	Thousands of U.S. dollars			
2007	*Acquisition cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Book (fair) value*
Available-for-sale securities:				
Equity securities	***$ 26,526***	***$ 45,424***	***$ 00,297***	***$ 71,653***

Proceeds from the sale of available-for-sale securities during the year ended March 31, 2007 amounted to ¥30 million *($254 thousand)*, and the related gains amounted to ¥13 million *($110 thousand)*.

The gross realized gains and losses on the sale of available-for-sale securities for the year ended March 31, 2006 were not material.

The following is the book value and fair value of held-to-maturity debt securities at March 31, 2007 and 2006.

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Book value	**¥ 10**	¥ 9	***$ 85***
Fair value	**10**	9	***85***
Difference	**¥ 0**	¥ (0)	***$ 0***

Held-to-maturity debt securities of ¥10 million *($85 thousand)* consisted of government bonds maturing in five to ten years.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Finished goods	**¥ 4,695**	¥ 3,976	***$ 39,788***
Work in process	**15,582**	14,378	***132,051***
Raw materials and supplies	**3,894**	2,986	***33,000***
	¥ 24,171	¥ 21,340	***$ 204,839***

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

Short-term loans at March 31, 2007 and 2006 were represented by short-term notes consisting of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Short-term loans bearing average interest rates of 2.76% (2007) and 1.82% (2006)	**¥ 10,643**	¥ 7,979	***$ 90,195***

A summary of long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Long-term debt	**¥ 952**	¥ 1,428	***$ 8,068***
Current portion of long-term debt	**(693)**	(672)	***(5,873)***
Loans maturing serially through 2012 bearing average interest rates of 2.04% (2007) and 0.70% (2006)	**¥ 259**	¥ 756	***$ 2,195***

The annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year ended March 31,	Millions of yen	*Thousands of U.S. dollars*
2008	¥ 693	*$ 5,873*
2009	149	*1,263*
2010	49	*415*
2011	49	*415*
2012 and thereafter	12	*102*
Total	¥ 952	*$ 8,068*

At September 27, 2006, the Company changed loan commitments from banks aggregating from ¥3,000 million to ¥5,000 million *($42,373 thousand)*. At March 31, 2007, ¥1,500 million *($12,712 thousand)* was used. No amount was used at March 31, 2006.

6. FIXED ASSETS

Temporarily idle buildings included in fixed assets for the year ended March 31, 2007 and 2006 were ¥290 million *($2,458 thousand)* and ¥518 million, respectively, net of accumulated depreciation.

7. PLEDGED ASSETS

At March 31, 2007 and 2006, as required by the Building Lots and Buildings Transaction Business Law, investment securities in the amount of ¥10 million *($85 thousand)* were put in escrow to secure dealings.

8. NET ASSETS

As described in Note 2, net assets comprises four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

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 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.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the revised accounting standard, "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (Statement No. 1 revised by the Accounting Standards Board of Japan on August 11, 2006) and the implementation guidance for the revised accounting standard "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (the Financial Accounting Standard Implementation Guidance No. 2 revised by the Accounting Standards Board of Japan on August 11, 2006).

The adoption of the new accounting standard had no effect on the consolidated statements of income.As described in Note 2, net assets

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, 2007 were as follows:

Common stock outstanding

	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

	Number of shares
	2007
Balance at April 1, 2006	**1,038,616**
Increase	**505,729**
Decrease	**(94,268)**
Balance at March 31, 2007	**1,450,077**

Note: 1. The increase in the number of shares was due to the purchase of 500,000 shares and the purchase of 5,729 less-than-one-unit shares.
2. The decrease in the number of shares was due to the exercise of stock options for 94,000 shares and the sale of 268 less-than-one-unit shares.

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 2007 and after March 31, 2007 were as follows:

Dividends paid in fiscal 2007

			Total amount	
Approved	Record date	Effective date	Millions of yen	*Thousands of U.S. dollars*
Shareholders' meeting on June 28, 2006	March 31, 2006	Jun 29, 2006	**427**	***$ 3,619***

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

			Total amount	
Approved	Record date	Effective date	Millions of yen	*Thousands of U.S. dollars*
Shareholders' meeting on June 26, 2007	March 31, 2007	June 27, 2007	**638**	***$ 5,407***

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, 2007 and 2006 were ¥5,192 million *($44,000 thousand)* and ¥3,863 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*
	2007	2006	***2007***
Salaries and bonuses for employees	**¥ 5,927**	¥ 5,453	***$ 50,229***
Research and development	**3,207**	2,174	***27,178***
Transportation of goods	**1,456**	1,272	***12,339***
Selling commissions	**1,206**	1,032	***10,220***
Retirement benefits	**316**	405	***2,678***
Retirement benefits to directors	**—**	65	***—***
Allowance for bonuses to directors	**84**	—	***712***

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 and 2006 were as follows.

	Millions of yen		*Thousands of U.S. dollars*
	2007	2006	***2007***
Loans guaranteed jointly and severally with other companies	**¥ 574**	¥ 679	***$ 4,864***
Trade notes discounted	**—**	57	***—***
Trade notes endorsed	**96**	138	***814***

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, 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)**

		Thousands of U.S. dollars			
		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*	***$ 1,305***	***—***	***$ 1,330***	***$ (25)***
	Thai baht	***1,119***	***—***	***1,144***	***(25)***
Trade payables	*Japanese yen*	***5,924***	***—***	***5,762***	***(162)***
	U.S. dollars	***25***	***—***	***25***	***(0)***
Total		***—***	***—***	***—***	***$ (212)***

Outstanding derivatives as of March 31, 2006 were as follows:

	Millions of yen			
	2006			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Forward currency exchange transactions for:				
Trade receivables	¥ 97	¥ 36	¥ 98	¥ (1)
Trade payables	165	—	157	(8)
Total	—	—	—	¥ (9)

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, 2007 and 2006.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	***2007***
Deferred tax assets:			
Severance and retirement benefits	**¥ 2,076**	¥ 2,597	***$ 17,593***
Employees' bonuses	**955**	786	***8,093***
Devaluation of inventories	**541**	510	***4,585***
Tax loss carryforwards	**539**	765	***4,568***
Cost of sales	**510**	405	***4,322***
Depreciation	**505**	507	***4,280***
Research and development expenses	**421**	187	***3,568***
Write-down of investment in unconsolidated subsidiaries and affiliates	**75**	692	***636***
Enterprise taxes	**117**	113	***991***
Unrealized intercompany profits	**314**	335	***2,661***
Allowance for environmental protection measures	**1,009**	893	***8,550***
Write-down of investment securities	**230**	—	***1,949***
Other temporary differences	**864**	855	***7,322***
Total deferred tax assets	**8,156**	8,645	***69,118***
Valuation allowance	**(2,729)**	(3,510)	***(23,127)***
Net deffered tax assets	**5,427**	5,135	***45,991***
Deferred tax liabilities:			
Depreciation	**(279)**	(289)	***(2,364)***
Unrealized gains on investment securities	**(2,103)**	(2,080)	***(17,822)***
Undistributed earnings of overseas subsidiaries	**(193)**	—	***(1,636)***
Other temporary differences	**(47)**	(68)	***(398)***
Total deferred tax liabilities	**(2,622)**	(2,437)	***(22,220)***
Net deffered tax assets	**¥ 2,805**	¥ 2,698	***$ 23,771***

Reconciliations in the balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	***2007***
Deferred tax assets reported in current assets	**¥ 2,976**	¥ 2,132	***$ 25,220***
Deferred tax assets reported in investments and other assets	**118**	748	***1,000***
Deferred tax liabilities reported in other current liabilities	**—**	(166)	***—***
Deferred tax liabilities reported in long-term liabilities	**(289)**	(16)	***(2,449)***
Net deferred tax assets	**¥ 2,805**	¥ 2,698	***$ 23,771***

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, 2007 and 2006 were as follows:

	2007	2006
Statutory income tax rate	**41.0 %**	41.0 %
Nondeductible expenses	**2.1**	2.5
Nontaxable dividend income	**(0.3)**	(11.4)
Inhabitants tax	**1.3**	1.9
Changes in valuation allowance	**(1.9)**	(13.6)
Foreign tax credit	**(4.6)**	—
Tax credit for reserch and development expenses	**(5.9)**	—
Effect of lower tax rate in overseas subsidiaries	**(11.8)**	—
Dividend income from overseas subsidiaries	**10.6**	—
Prior year income tax adjustment	**(1.9)**	—
Other	**0.7**	0.2
Effective income tax rate	**29.3 %**	20.6 %

With the enactment of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprises "amount of income," "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in "Selling, general and administrative expenses" commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board, Practical Solution Report No. 12 issued on February 13, 2004).

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, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥ 23,341	¥ 26,070	$ 197,805
Unrecognized prior service costs	(157)	205	(1,331)
Unrecognized actuarial differences	(1,582)	(3,009)	(13,407)
Prepaid pension cost	1,268	265	10,746
Less fair value of pension assets	(19,991)	(17,965)	(169,415)
Liability for severance and retirement benefits	¥ 2,879	¥ 5,566	$ 24,398

Effective April 1, 2006, the Company transferred a portion of its unfunded lump-sum payment plans to defined contribution plans. As a result, the Company recognized a loss of ¥680 million for the year ended March 31, 2006. The Company also amended its lump-sum payment plans by introducing a "point-based" system, effective April 1, 2006.

The effect of the transfer to defined contribution plans was as follows:

	Millions of yen
	2006
Decrease in projected benefit obligation	¥ 2,979
Assets transferred	(2,784)
Unrecognized actuarial differences	(860)
Unrecognized prior service costs	(15)
Increase in liability for service and retirement benefits	¥ (680)

The amount of assets to be transferred to the defined contribution plans was ¥2,784 million as of April 1, 2006. The assets are being transferred to the defined contribution plans over a period of 8 years.

Included in the consolidated statements of income for the years ended March 31, 2007 and 2006 were severance and retirement benefit expenses that comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs - benefits earned during the year	¥ 722	¥ 853	$ 6,119
Interest cost on projected benefit obligation	581	642	4,924
Expected return on plan assets	(384)	(293)	(3,254)
Amortization of prior service costs	(343)	(569)	(2,907)
Amortization of unrecognized actuarial differences	374	701	3,169
Additional payment of early retirement benefits	—	27	—
Severance and retirement benefit expenses	¥ 950	¥ 1,361	$ 8,051
Loss on partial termination of lump-sum payment plans	—	680	—
Payment of defined contribution plans	141	—	1,195
Total	¥ 1,091	¥ 2,041	$ 9,246

Assumptions used for the years ended March 31, 2007 and 2006 were forth as follows:

	2007	2006
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	15 years	15 years

16. 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:

	Millions of yen				
Year ended March 31, 2007	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

	Millions of yen				
Year ended March 31, 2006	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	¥ 59,557	¥ 24,555	¥ 84,112	¥ —	¥ 84,112
Intersegment sales	388	24	412	(412)	—
Total	59,945	24,579	84,524	(412)	84,112
Operating costs and expenses	56,881	21,827	78,708	1,146	79,854
Operating income	¥ 3,064	¥ 2,752	¥ 5,816	¥ (1,558)	¥ 4,258
Assets	¥ 55,793	¥ 29,133	¥ 84,926	¥ 13,234	¥ 98,160
Depreciation and amortization	1,276	671	1,947	95	2,042
Capital expenditures	2,651	2,822	5,473	70	5,543

	Thousands of U.S. dollars				
Year ended March 31, 2007	*Power system equipment*	*Charged particle beam-oriented equipment*	*Total*	*Elimination or corporate*	*Consolidated*
Sales and operating income:					
Sales to outside customers	*$ 587,847*	*$ 229,280*	*$ 817,127*	*$ —*	*$ 817,127*
Intersegment sales	*2,449*	*254*	*2,703*	*(2,703)*	*—*
Total	*590,296*	*229,534*	*819,830*	*(2,703)*	*817,127*
Operating costs and expenses	*545,119*	*208,423*	*753,542*	*13,127*	*766,669*
Operating income	*$ 45,177*	*$ 21,111*	*$ 66,288*	*$ (15,830)*	*$ 50,458*
Assets	*$ 570,644*	*$ 249,170*	*$ 819,814*	*$ 95,712*	*$ 915,526*
Depreciation and amortization	*12,424*	*8,085*	*20,509*	*1,093*	*21,602*
Capital expenditures	*23,085*	*13,813*	*36,898*	*2,161*	*39,059*

Corporate operating expenses of ¥1,868 million *($15,830 thousand)* and ¥1,558 million for the years ended March 31, 2007 and 2006, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥11,435 million *($96,907 thousand)* and ¥13,383 million at March 31, 2007 and 2006, 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 *($59 thousand)* less in the power system equipment segment, ¥27 million *($229 thousand)* less in the charged particle beam-oriented equipment segment and ¥50 million *($424 thousand)* 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 *($102 thousand)* less in corporate for the year ended March 31, 2007.

B. Geographical Segments

Geographical segment information is as follows:

Year ended March 31, 2007	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
	Millions of yen					
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, 2006	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
	Millions of yen					
Sales and operating income:						
Sales to outside customers	¥ 71,375	¥ 12,485	¥ 252	¥ 84,112	¥ —	¥ 84,112
Intersegment sales	2,782	1,242	69	4,093	(4,093)	—
Total	74,157	13,727	321	88,205	(4,093)	84,112
Operating costs and expenses	70,510	11,504	302	82,316	(2,462)	79,854
Operating income	¥ 3,647	¥ 2,223	¥ 19	¥ 5,889	¥ (1,631)	¥ 4,258
Assets	¥ 73,732	¥ 17,466	¥ 366	¥ 91,564	¥ 6,596	¥ 98,160

Year ended March 31, 2007	*Japan*	*Asia*	*Other*	*Total*	*Elimination or corporate*	*Consolidated*
	Thousands of U.S. dollars					
Sales and operating income:						
Sales to outside customers	*$ 669,856*	*$ 143,847*	*$ 3,424*	*$ 817,127*	*$ —*	*$ 817,127*
Intersegment sales	*24,661*	*10,932*	*805*	*36,398*	*(36,398)*	*—*
Total	*694,517*	*154,779*	*4,229*	*853,525*	*(36,398)*	*817,127*
Operating costs and expenses	*649,246*	*135,373*	*4,237*	*788,856*	*(22,187)*	*766,669*
Operating income	*$ 45,271*	*$ 19,406*	*$ (8)*	*$ 64,669*	*$ (14,211)*	*$ 50,458*
Assets	*$ 689,703*	*$ 188,780*	*$ 2,356*	*$ 880,839*	*$ 34,687*	*$ 915,526*

Corporate operating expenses of ¥1,868 million *($15,830 thousand)* and ¥1,558 million for the years ended March 31, 2007 and 2006, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥11,435 million *($96,907 thousand)* and ¥13,383 million at March 31, 2007 and 2006, 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 *($288 thousand)* less in Japan and ¥50 million *($424 thousand)* 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 *($102 thousand)* less in corporate for the year ended March 31, 2007.

C. Overseas Sales

Overseas sales were as follows:

Year ended March 31, 2007	Millions of yen	Ratio of overseas sales to consolidated net sales	*Thousands of U.S. dollars*
Asia (China, Taiwan, Korea and others)	¥ 26,971	27.97%	*$ 228,568*
Other areas (U.S.A. and others)	1,590	1.65	*13,474*
Total	¥ 28,561	29.62%	*$ 242,042*

Year ended March 31, 2006	Millions of yen	Ratio of overseas sales to consolidated net sales
Asia (China, Taiwan, Korea and others)	¥ 20,019	23.80%
Other areas (U.S.A. and others)	477	0.57
Total	¥ 20,496	24.37%

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Nissin Electric Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of shareholders' equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the years ended March 31, 2007 and 2006, 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 consolidated subsidiaries as of March 31, 2007 and 2006, 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 consolidated 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, 2007 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 26, 2007

Corporate Data (as of March 31, 2007)

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
4,280

Board of Directors and Statutory Auditors
(as of June 26, 2007)

Chairman
Koshi Itaka*

President
Yoshikazu Amano*

Senior Managing Directors
Akira Kikuchi*

Managing Directors
Toshihiro Miyazaki
Yoshinori Goko
Masayuki Ueda
Kenkichi Nakano
Satoru Nakahori

Standing Auditors
Osame Imai
Eiichi Fujikawa

Auditors
Mamoru Morita
Hidetoshi 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 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 ìThe Makioka Sistersî. 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.

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