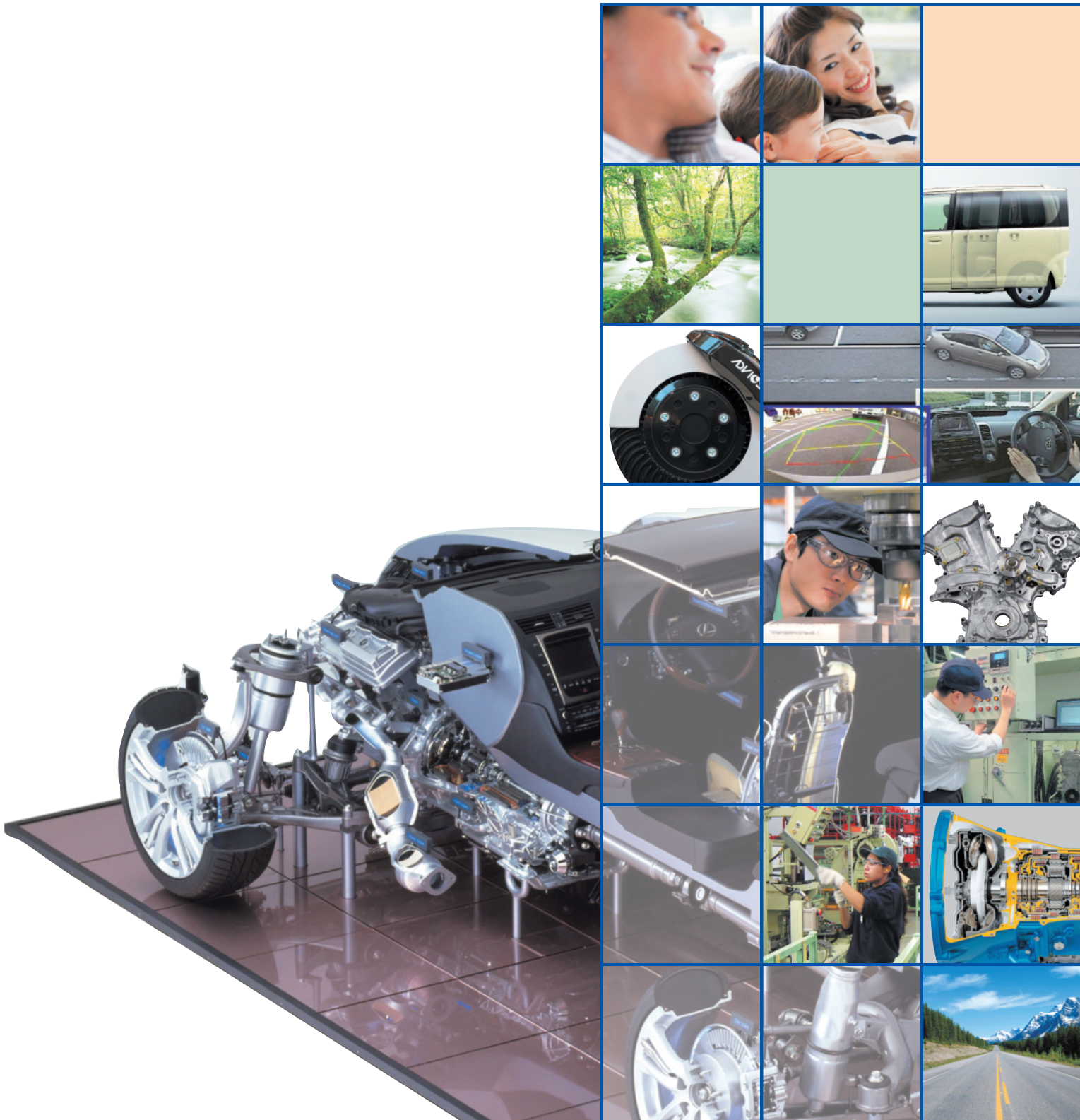


# AISIN REPORT 2007

AISIN Group Annual & Sustainability Report  
For the year ended March 31, 2007



Aisin Seiki Co., Ltd. and its domestic and foreign consolidated subsidiaries comprise 154 companies in 19 countries and regions, including Japan, with the total number of employees at approximately 66,000.

While striving to become a worldwide supplier by consolidating comprehensive AISIN strengths and vigorously working to develop attractive, quality products that meet customer needs, AISIN also aims to contribute to the advancement of society as a respected corporate citizen through its specialty of *mono-zukuri* ("manufacturing expertise in value-added products").

## Corporate Principles

### Based on "Quality First"

#### 1) ENHANCED VALUE CREATION

We are committed to contributing to the advancement of society through future-oriented research and development that provides new value for our customers.

#### 2) CONTINUOUS GLOBAL GROWTH

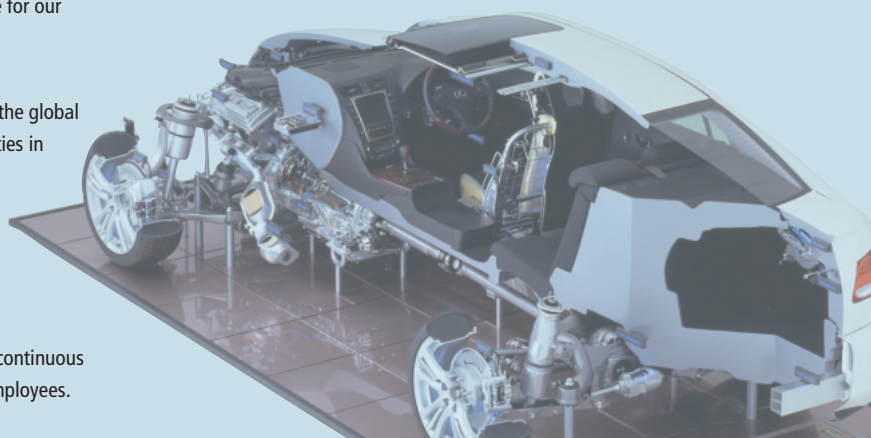
We are committed to realizing steady development and growth in the global marketplace by establishing the foundations of our business activities in local values, cultures and customs.

#### 3) HARMONY WITH SOCIETY AND NATURE

We are committed to earning trust as a responsible corporate citizen by valuing harmony with society and nature.

#### 4) INDIVIDUAL CREATIVITY AND INITIATIVE

We are committed to building a work environment that promotes continuous progress by developing the creativity and initiative of individual employees.



#### Cautionary Note Regarding Forward-looking Statements

This report contains non-historical, forward-looking statements regarding plans, outlook, strategies and views of AISIN. Such statements are based on decisions by AISIN management derived from the information available to AISIN at the time of publication, and thus, contain risks or uncertainties. These uncertain factors could cause AISIN's actual results to differ substantially from any projections presented in this report.

These risks and uncertainties include, but are not limited to: (1) changes in the economic or political situation, exchange rates, policies, or laws and regulations related to AISIN's main businesses; (2) any change in AISIN's capability to develop timely products accepted by customers; (3) lack of fuel supply, delays due to excessive traffic, strikes, interruptions to work processes, or difficulties in securing labor, parts and materials in the markets in which AISIN's production bases are operating; and (4) results of contingencies.

#### Definition of Terms

In this report, "AISIN" or the "AISIN Group" refers to Aisin Seiki Co., Ltd. and its domestic and foreign subsidiaries, while "the Company" refers to Aisin Seiki Co., Ltd.

#### Definition of Figures

The figures indicated in this report are rounded off.

#### Regarding this Report

The *Annual Report* and *Sustainability Report*, which were published separately, have been combined into the *AISIN REPORT* from the fiscal year ended March 31, 2006.

# AISIN REPORT 2007



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# Financial Highlights

AISIN SEIKI CO., LTD. and its Subsidiaries

Years ended March 31, 2007 and 2006 (Fiscal years in this report begin on April 1 of the previous year and end on March 31 of the year indicated.)

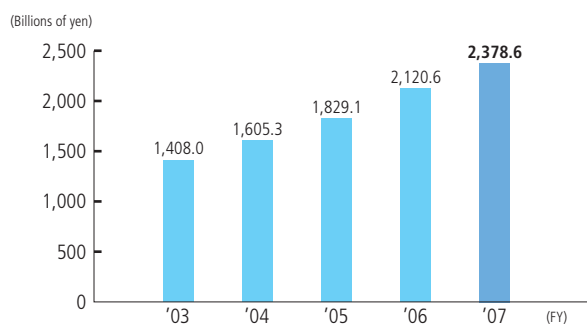
	Millions of Yen		Percent Change	Millions of U.S. Dollars
	2007	2006	2007/2006	2007
Net Sales	<b>¥ 2,378,612</b>	¥ 2,120,589	12.2 %	<b>\$ 20,149</b>
Domestic Sales	<b>1,520,082</b>	1,406,585	8.1	<b>12,877</b>
Overseas Sales	<b>858,530</b>	714,004	20.2	<b>7,273</b>
Operating Income	<b>131,034</b>	118,097	11.0	<b>1,110</b>
Net Income	<b>66,890</b>	61,096	9.5	<b>567</b>
Total Assets	<b>2,037,896</b>	1,853,459	10.0	<b>17,263</b>
Net Assets	<b>955,853</b>	678,881	40.8	<b>8,097</b>
Common Stock	<b>45,049</b>	45,049	0.0	<b>382</b>
Capital Expenditures (Cash Flows)	<b>224,434</b>	218,753	2.6	<b>1,901</b>
Depreciation and Amortization	<b>145,277</b>	123,034	18.1	<b>1,231</b>
R&D Expenses	<b>103,750</b>	95,153	9.0	<b>879</b>
Return on Equity (ROE)	<b>9.3%</b>	9.9%	(6.1)	<b>—</b>

	Yen		Percent Change	U.S. Dollars
	2007	2006	2007/2006	2007
Per Share of Common Stock				
Net Income — Basic	<b>¥ 233.03</b>	¥ 209.15	11.4 %	<b>\$ 1.97</b>
Net Income — Diluted	<b>232.71</b>	208.86	11.4	<b>1.97</b>
Net Assets	<b>2,662.78</b>	2,361.66	12.8	<b>22.56</b>
Cash Dividends	<b>40.00</b>	32.00	25.0	<b>0.34</b>
Number of Employees (persons)	<b>66,383</b>	59,587	11.4	<b>—</b>

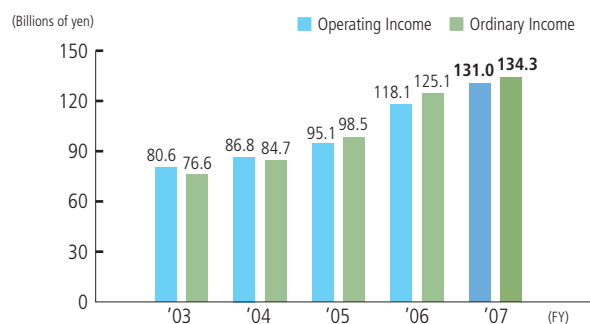
Notes: 1. Income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the reported period, and net assets per share of common stock is calculated based on the number of shares at year-end.

2. The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥118.05=US\$1.00.

## Net Sales



## Operating Income and Ordinary Income



## 8th Consecutive Increase in Net Sales, 5th Consecutive Increase in Operating Income and Ordinary Income

[Net Sales] Up **12.2%** to record **¥2,378,612** million

[Overseas Sales] Up **20.2%** to record **¥858,530** million

[Operating Income] Up **11.0%** to record **¥131,034** million

[Net Income] Up **9.5%** to record **¥66,890** million

[Total Assets] Up **10.0%** to **¥2,037,896** million

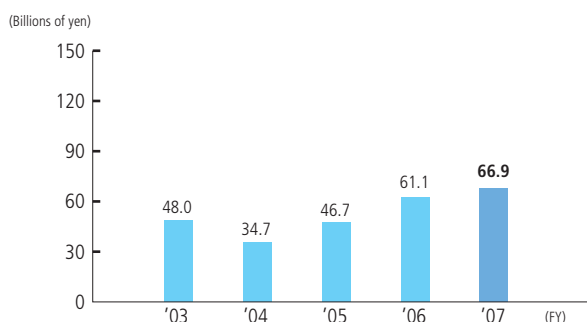
[Net Assets] Up **40.8%** to **¥955,853** million

[Capital Expenditures (Cash Flows)] Up **2.6%** to **¥224,434** million

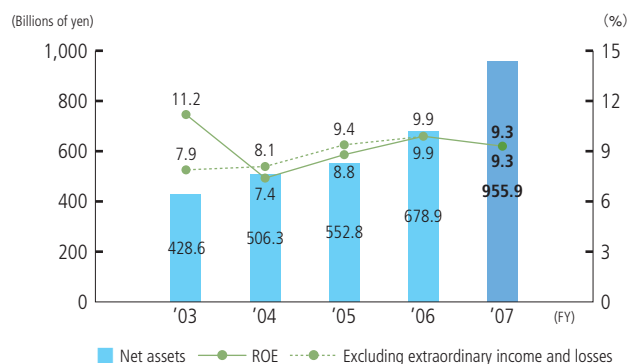
[Net Income Per Share] Up **11.4%** to **¥233.03**

[Cash Dividends Per Share] Up **¥8.00** from ¥32.00 to **¥40.00**

### Net Income



### Net Assets and ROE



## To Our Shareholders and Stakeholders



Chairman Kanshiro Toyoda

President Yasuhito Yamauchi



During the fiscal year ended March 31, 2007, consolidated net sales amounted to ¥2,378,612 million, an increase of 12.2% from the previous fiscal year. At the profit level, operating income totaled ¥131,034 million, up 11.0%; ordinary income amounted to ¥134,287 million, a rise of 7.3%; and net income was ¥66,890 million, an increase of 9.5%. Each of these figures represents all-time highs. Moreover, year-end cash dividends per share amounted to ¥24.00. Together with interim cash dividends per share of ¥16.00, total cash dividends per share for the fiscal year amounted to ¥40.00, representing an ¥8.00 increase compared with the previous fiscal year.

The business environment is unclear, as the world economy faces numerous uncertainties that include soaring prices for such raw materials as crude oil, steel and aluminum as well as exchange rate fluctuations and intensifying price competition. Amid this environment, together with adequately addressing immediate challenges, the AISIN Group will combine its collective strengths and proactively undertake initiatives to strengthen global competitiveness and its corporate constitution along with aiming to become a preeminent global brand. To that end, we will accelerate the development of system products that create new markets in fields related to the "environment," "safety" and "comfort." Concurrently, we will strive to improve *mono-zukuri* (manufacturing expertise in value-added products) by nurturing human resources and developing new production methods and will actively propose products that ensure the satisfaction of our customers. Additionally, we will build a global supply network by further upgrading our production, development and sales structures in Japan as well as in North America, Australia, Asia and Europe, as we establish a structure capable of responding quickly to customer needs in regions worldwide.

As a company trusted by society, we aim to be a top environmental player by steadily promoting our environmental preservation plan that is based on our Fourth Environmental Action Plan. In tandem, we are undertaking corporate citizenship activities with emphasis on development of local communities, preservation of the natural environment and the nurturing of young people, while continually making earnest efforts to undertake highly fair and transparent business activities and develop into a company that attains growth and development in harmony with society.

We ask our shareholders and stakeholders for your continued support and guidance.

July 2007

Chairman

President

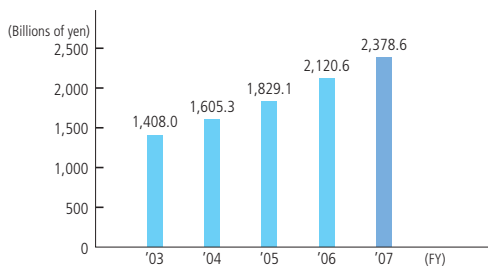


## **Firmly Forging a Solid Foundation to Become the Top Global Brand**

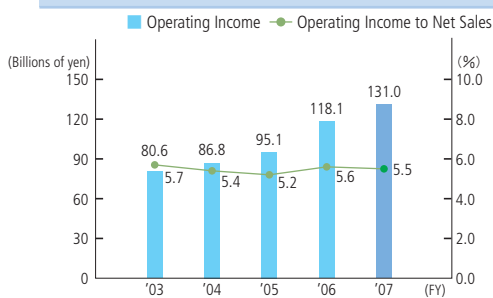
President Yasuhito Yamauchi



## Net Sales



## Operating Income/Operating Income to Net Sales



## Results of Operations for Fiscal 2007 and Forecast for Fiscal 2008

In the fiscal year ended March 31, 2007 (fiscal 2007), net sales amounted to ¥2,378,612 million, an increase of 12.2% from the previous fiscal year. We were able to double net sales in a five-year period as a result of the increased number of vehicles produced by our major customers, but I believe this was also due in large part to the excellent potential of AISIN.

Despite continuous high prices for raw materials, chiefly aluminum, Group-wide efforts to streamline enabled us to overcome this challenge to secure an increase in operating income.

Operating income to net sales remained flat due chiefly to an increase in forward-looking investments such as R&D and capital investments both in Japan and overseas over the past several years. Moving forward, however, we hope the seeds we have sown will start to bear fruit and eventually reap the harvest. Concurrently, quality and cost must be properly addressed in our efforts to construct a rock-solid earnings base.

Looking ahead to the fiscal year ending March 31, 2008, we forecast net sales of ¥2,500,000 million and operating income of ¥135,000 million. To ensure a continued increase in revenues for the mid- to long-term, we must undertake efforts to improve earnings. At the same time, we believe it is important to take strategic measures for the future, including investments in R&D and human resources development. This is why even amid difficult circumstances we should not put off forward-looking investments from a mid- to long-term perspective.

With the goal of substantially surpassing net sales of ¥3 trillion in the early 2010s, we will work to accelerate activities directed toward realizing new growth.

## Solidifying Our Foundation for the Mid- to Long-term

In realizing further growth as a global company, we have to thoroughly solidify the foundation for corporate activities in the areas of quality, cost and human resources development. Without a firm foundation for corporate activities, it is difficult to build a secure future. Given this, the proper execution of duties is the basis of all business activities, and we will place top priority on improving unparalleled quality and cost and nurturing human resources.

## Message from Top Management

We are working to attain unparalleled quality and cost from the dual perspectives of design quality and production quality. Regarding design quality, to raise the degree of completion from the blueprint stage, we established the PD (Perfect Design) Promotion Department in January 2007. As for production quality, in our drive to develop a “perfect manufacturing line” that produces only defect-free products, we are working on the development of self-conclusion (automatic completion) of the process that ensures quality is incorporated within the process.

As an organization, it is crucial to be on the alert for problems arising at work sites and thoroughly visualize the various aspects of such problems. To that end, we have restructured production plant and design organizations by reducing the number of members in a team that one manager or supervisor has to oversee, thereby enabling closely supervised management and sufficient daily communication.

AISIN has always placed a strong emphasis on nurturing human resources with world-class skills. To further accelerate activities in this area, we established the HR Development Center, which became operational in April 2007. In addition to offering training in the fundamental principles and rules of manufacturing, we aim to systematically nurture personnel who can take active roles in the global arena through education that includes respective areas of expertise and management skills. Operating as a common platform for the entire Group, this facility is also actively accepting trainees from overseas subsidiaries and Group companies in Japan.

To forge a solid foundation, it is also essential to strengthen our earnings base on a global level. In fiscal 2007, AISIN newly established or launched operations at nine locations, mainly in North America and China. In this way, we are aggressively working to strengthen our long-term overseas production capacity. The reality, however, is that our earnings are still a long way off from being in line with the huge burden of initial investments. Thus, to ensure a solid earnings base, it is essential to support the autonomy of overseas operations so that we can reap the benefits of prior investments as soon as possible. We intend to thoroughly globalize production and human resources to ensure swift realization of a balanced earnings structure.



Work site meeting



Training at the HR Development Center

## Accelerating Activities Directed toward Realizing New Growth

Future prospects in the business environment clearly show that business opportunities are expanding on a global scale, and now is the time to decisively tackle issues facing the foundation of our business. At the same time, it is critical to accelerate activities directed toward realizing new growth. To achieve this, it is essential to envision our own path to growth by leveraging new products developed independently by AISIN. Together with accelerating the development of system products, we need to strengthen our core technologies and *mono-zukuri* capabilities that support these products.

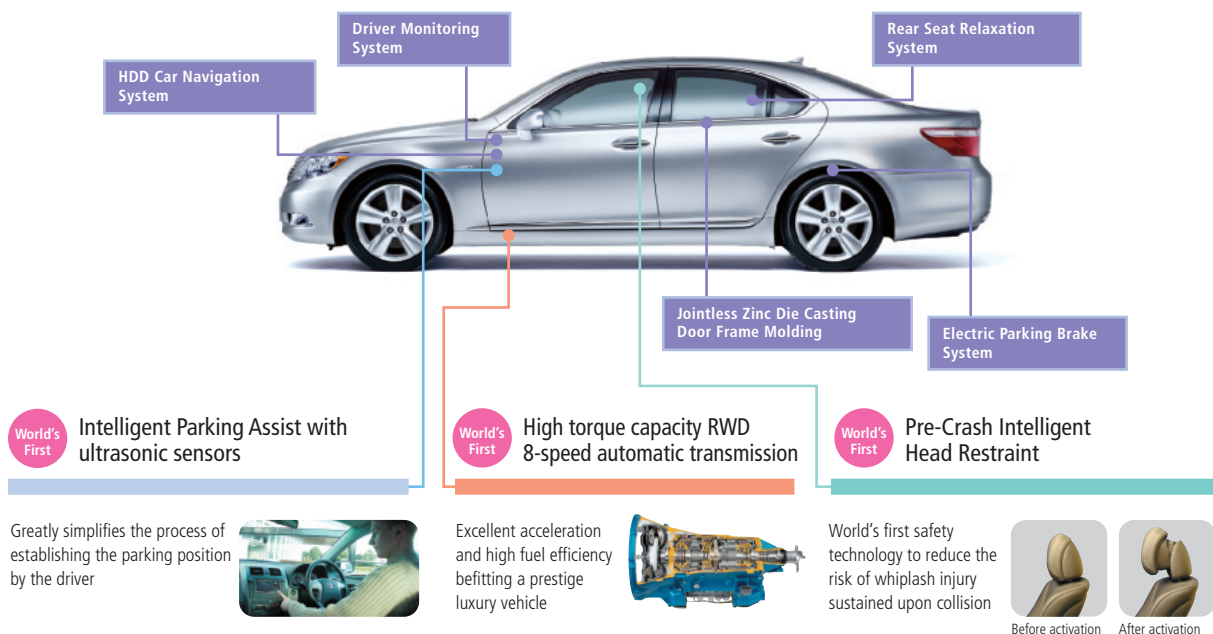
In the development of system products, AISIN's major strength lies in its extensive range of products, technologies and production processes. Whether a product is sold as a single item or as part of a system, AISIN's unmatched strength over competitors is its ability to respond flexibly to user requirements with all types of technologies and production processes regardless of the product. By combining these and developing high value-added system products that are not easily duplicated, we can become a truly strong company. In keeping with this approach, since 2006 we have been devoting significant efforts toward developing system products through Group collaboration. Specifically, we are pursuing the development of systems, including brake and chassis integration, driving support, body related systems, next-generation drivetrain and hybrid systems, all of which represent domains in which we are strongly positioned to utilize technologies cultivated to the present. Concurrently, we will mobilize the collective capabilities of the AISIN Group to ensure that we can be a leader possessing overwhelming strengths in these fields.

As a tangible example of our success to date, fiscal 2007 saw the introduction of the Lexus LS460 equipped with a variety of world's first system products representing the accumulated technologies of the AISIN Group, including the high torque capacity RWD 8-speed automatic transmission\*1, Intelligent Parking Assist with ultrasonic sensors\*1 and Pre-Crash Intelligent Head Restraint\*2.

\*1: Developed jointly with Toyota Motor Corporation

\*2: Developed jointly with Toyota Motor Corporation, Toyota Boshoku Corporation and Yazaki Corporation

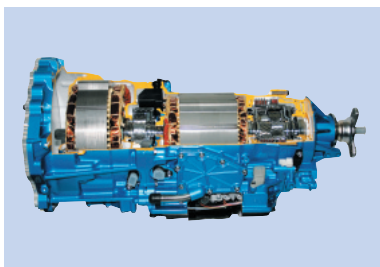
### Major AISIN Products Installed on the Lexus LS460



## Bolstering Cooperation to Build a Strong Corporate Group

AISIN is currently promoting Value Innovation (VI) activities to accelerate closer cooperation among all Group companies in line with its aim to become a preeminent corporate group. These activities emphasize respective areas of the “environment,” “safety” and “comfort,” and will promote the creation of new system products by mobilizing the technology and know-how of all Group companies through establishing task forces for requisite strengthening of system domains. In tandem with these efforts, we are taking innovative *mono-zukuri* measures to integrate functions such as development, production and procurement in order to dramatically reduce the cost of our core products.

It is not an exaggeration to say that the success or failure of these efforts will determine the fate of AISIN five to ten years from now. We will commit the collective strengths of the Group to VI activities so that such efforts will lead to tangible results as quickly as possible.



RWD 2-motor hybrid transmission



Tree planting in Thailand



Tree planting on Mt. Fuji

## Aiming to Become a Top Environmental Player

As a company involved in the automobile industry, we are aggressively tackling problems in environmental preservation to pursue thorough environmental management in all business activities.

In terms of specific activities, AISIN is working to contribute to environmental preservation via our products by proactively pursuing not only technological development geared toward improved automobile fuel efficiency, lower weight and reduced environmental load in products but also by aggressively undertaking R&D in such eco-friendly products as residential fuel cells and solar cells.

As a means of reducing environmental load on the factory floor, we will work to eradicate the use of hazardous materials in products, while also devoting our full energies toward activities that cut down the amount of CO<sub>2</sub> emissions as well as realize the challenging goal of reducing waste to zero including for incinerated waste.

In addition, we are encouraging all Group employees to sustain a high level of environmental awareness, while offering a platform to actively participate in nature and environmental preservation activities.

The entire Group is united in the aim to become a top environmental player through continued and dedicated environmental activities.



## Thoroughly Implementing Responsible Corporate Activities

AISIN's fundamental management stance is to actively fulfill its social responsibilities in order to contribute to the development of a sustainable society. Amid a business environment undergoing sweeping change, we, as a company trusted by the international community, are working to undertake a variety of ongoing measures, including promoting thorough compliance, strengthening corporate governance and augmenting prompt and proper disclosure.

Based on the resolution on the "Basic Policy Regarding Improvement of Internal Control System" made at the Board of Directors meeting in May 2006, we are establishing and maintaining a sound and transparent system. Accordingly, we are fully committed to improving the effectiveness and efficiency of business activities, presenting accurate financial summaries and strictly adhering to related regulations.

Moreover, so that each employee can fulfill his or her social responsibility as a respected corporate citizen, AISIN is also actively promoting a wide range of volunteer activities closely tied to local communities, chiefly through the "Sawayaka Fureai Center" (Volunteer Promoting & Health Service Center).

We will continue to listen sincerely to the comments of stakeholders and engage in discussions as a means of achieving harmony with society as a respected corporate citizen.

## Striving to Become the World's Top Brand

For AISIN to become the world's top brand, each AISIN employee must behave in a responsible manner to gain the trust of society. At the same time, we must make diligent efforts in *mono-zukuri* to earn the necessary trust of society, customers and business partners. The first true demonstration of brand power is when customers believe that "AISIN products are reliable" or "if it's AISIN, you can rest assured." By solidifying our foundation, we will continue to wholeheartedly engage in *mono-zukuri*, thereby enabling us to contribute to the prosperity of society.

AISIN aims to be a corporate citizen trusted by the international community by pursuing management transparency, sound policies and practices and legal compliance. To that end, AISIN will work to further enhance the level of corporate governance as a means of increasing competitiveness as a global company and raising long-term sustainable corporate value.

## ■ Developing Governance System and Internal Control System

AISIN introduced a new corporate governance system in 2005 that features a streamlined Board of Directors and newly appointed managing officers. Amid increasing globalization of business and subsequent intensified competition, this new system is geared toward addressing ever-growing pressures to strengthen domestic and overseas Group management and accelerate both decision-making and operational execution. Besides those duties mandated by law, the Board of Directors, which generally convenes once a month, makes decisions on such important management matters as the formulation of management policies and business plans, planning for capital expenditures in addition to the establishment of and investment in subsidiaries, while overseeing business execution by management.

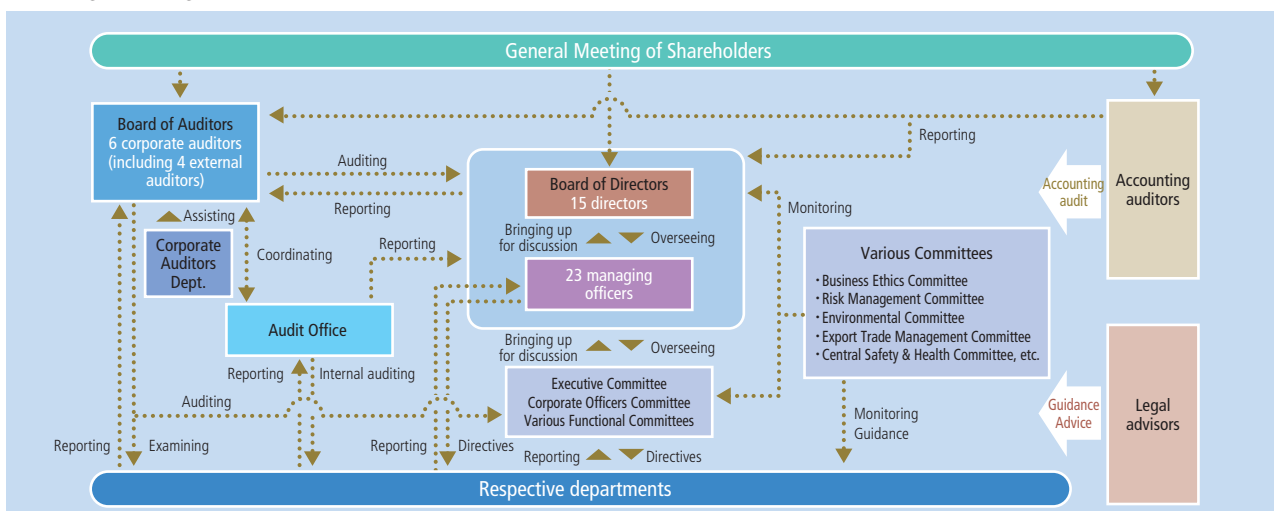
In order to monitor management, Aisin Seiki has adopted a Board of Auditors structure. The Board of Auditors, which generally meets four times a year, establishes audit policies and devises audit plans upon which auditors monitor the execution of duties by the Company's directors. Additionally, together with examining the status of business execution by each department, auditors work to ensure that management and operations are properly executed in accordance with the law and Articles of Incorporation. Aisin Seiki has augmented audit functions with the establishment of a specialist internal auditing department, and undertakes continual auditing throughout its entire operations that monitors operational management, appropriateness of business procedures and legal compliance.

To strengthen corporate governance, it is imperative to augment the Board of Auditors, which is an independent body from the Board of Directors. On June 22, 2006, the General Meeting of Shareholders approved to raise the number of auditors by one for a total of six corporate auditors (two internal auditors and four external auditors), who are responsible for stricter auditing of the activities of the directors, the operations of domestic and overseas subsidiaries as well as overall financial standing. In order to bolster internal controls, we expanded administrative and staff positions that assist the auditors and established a Corporate Auditors Department under the direction of the Board of Auditors to ensure autonomy from the Board of Directors.

In May 2006, the "Basic Policy Regarding Improvement of Internal Control" was resolved at a Board of Directors meeting to establish an internal control system. We are working to establish an appropriate internal control system and enhance various systems and organizations to improve the effectiveness and efficiency of business activities, ensure accurate financial summaries and thoroughly adhere to related laws and regulations. We are laying the groundwork in preparation of compliance with the Japanese version of the U.S. Sarbanes-Oxley (SOX) Act scheduled for implementation in fiscal 2009.

Aisin Seiki has also set up the Executive Committee and Corporate Officers Committee, which deliberate on individual matters as well as monitor, guide and assist management in accordance with decisions made by the Board of Directors.

## ● Management Organization (As of June 21, 2007)



## ■ Promoting More Thorough Compliance

AISIN established the AISIN Charter of Corporate Behavior, which outlines its fundamental management stance for fulfilling its social responsibilities as a good corporate citizen. With the goal of ensuring proper conduct in all corporate activities as a member of society, AISIN is strengthening its compliance while undertaking a host of other measures that include setting up the Business Ethics Committee and formulating the Business Ethics Guidelines, which are aimed at ensuring that employees adhere to laws and social rules and manners, as well as upgrading the education and training in legal affairs and establishing in-house and external consultation counters. In fiscal 2007, we designated July as the month dedicated toward strengthening business ethics, with work site discussions, lectures and other activities to firmly establish and promote widespread compliance.

To comply with the Personal Information Protection Act enacted in Japan as of April 2005, AISIN created the Personal Information Protection Policy outlining the protection of the personal information of customers, business partners and employees acquired over the course of daily business operations. This policy is aiding in building a set of rules and structure for employees to comply with laws and other regulations regarding personal information.

## ■ Reinforcing the Risk Management Structure

Management risks have diversified as AISIN expands its business scale and globalizes its business activities. As part of our risk management structure, we established the Risk Management Committee for appropriately responding to various internal and external risks. We also reinforced our risk management structure by formulating and distributing to related parties within and outside the AISIN Group the Risk Management Guidelines that contain preventive response categories, such as the prevention of anticipated risks and minimization of damage, and post-response categories for ensuring appropriate and quick action in the event of unforeseen circumstances. In addition, AISIN established the Corporate Risk Management Department to assess the scope and operational impact of defined risks and provide rapid and appropriate troubleshooting to reinforce risk management.

## ■ Disclosing Corporate Information in a Timely and Fair Manner

To have all stakeholders deepen their understanding of AISIN, it is important to disclose corporate information in a timely and fair manner. In disclosing information, persons responsible for information management convene an Assessment Conference immediately after information is obtained to ensure the comprehensiveness and appropriateness of critical information, and subsequently make a determination as to its importance and the level of need for prompt disclosure. Cognizant of the relevant laws and codes against insider trading and other crimes, AISIN discloses information in accordance with the Timely Disclosure Rule stipulated by the Tokyo Stock Exchange.

Additionally, we strive to achieve the fair disclosure of information in Japan and overseas by posting financial summaries and IR presentation documents on the Company's Japanese and English websites. AISIN is keenly aware of its responsibilities to provide detailed explanations to all stakeholders, and will continue to do its utmost to provide a wide range of information.

As of fiscal 2006, AISIN publishes detailed Group activities in the form of an easy-to-understand *AISIN REPORT*, which combines the previous annual report and sustainability report. We are working to enhance the level of information disclosure by gearing the content of this report to that of our website.

## ■ Respecting Shareholder Rights Including Maintaining Stable Dividends

To enable a large number of its shareholders to attend, AISIN aims for an early convening of the General Meeting of Shareholders. In addition, AISIN makes efforts to provide an easy-to-understand business report and respond to questions from shareholders.

Based on its policy of maintaining stable dividends, AISIN returns profits to shareholders by taking into consideration a comprehensive range of factors that include AISIN's business results and its payout ratio. In fiscal 2007, AISIN raised annual cash dividends by ¥8.00 per share over the previous fiscal year to ¥40.00, and total dividends paid for the year amounted to ¥11,500 million (US\$97.4 million).

In working vigorously to ensure that management's interests are consistent with those of the Company and to undertake activities aimed at maximizing corporate value, AISIN has adopted a system for providing stock options with subscription rights to directors and managing officers of Aisin Seiki and its affiliated companies.

# Promoting R&D that Contributes to Society and the Environment through Distinctive Product Development Exhibiting the Spirit of *Mono-zukuri*

## R&D

### ■ Pursuing the Creation of New Value with the Promotion of R&D for Cutting-edge Technologies across a Variety of Fields

At AISIN, we plan and design our products from the customer's point of view as we engage in a wide range of technological development. In the automotive field, we are accelerating the development of value-added and highly appealing system products. Further, we are expanding our range of development in more diverse fields through collaboration among Group companies. Such fields include scientific research regarding the relationship between living environments and the living body based on state-of-the-art automotive parts technology, as well as research on fuel cells, lasers and other advanced technologies and environmental technologies.

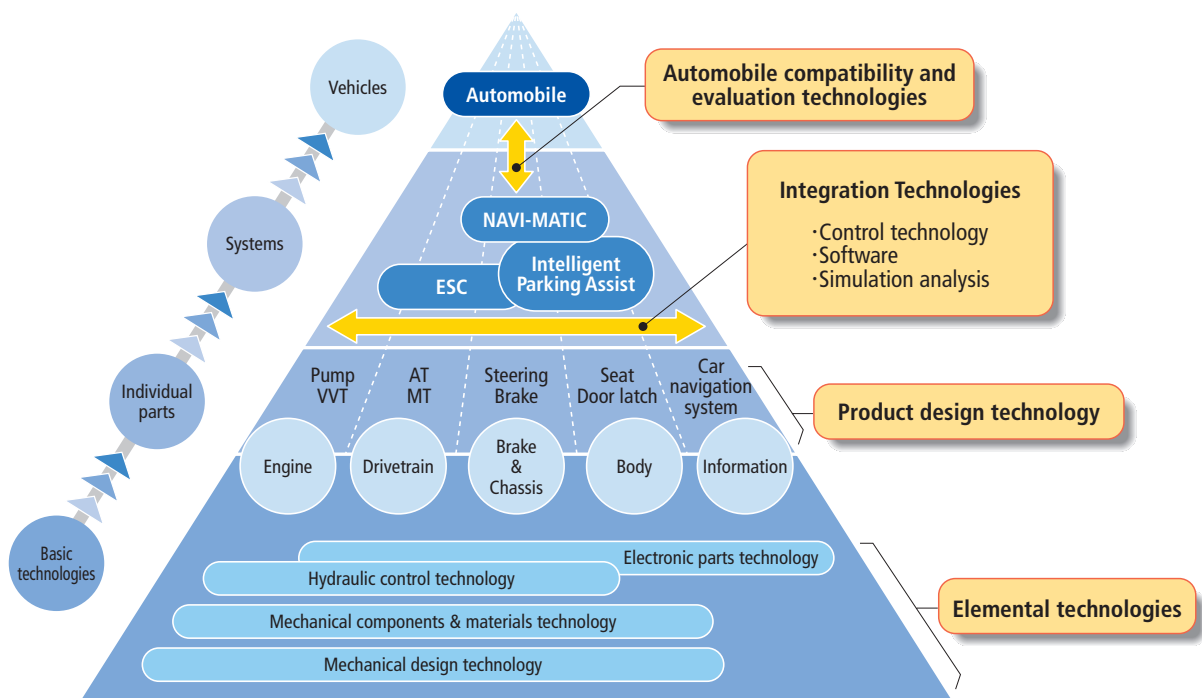
While system product development extends in a variety of directions, our efforts are devoted to fields where customer needs are high, notably the "environment," "safety" and "comfort." In addition, with the aim of creating new system products, we are currently expanding the scale of value innovation (VI) activities to the entire AISIN Group, as well as proac-

tively undertaking innovative *mono-zukuri* measures through integrated production, procurement and other functions.

To support the development of new products, the elemental technologies that serve as the core are vitally important. The development of individual parts is handled by refining basic technologies such as mechanical design, mechanical components and materials, and hydraulic control technologies—areas in which AISIN excels. For the development of system products that integrate these technologies, the entire system needs to be optimally controlled by seeking greater compatibility with automobiles. To this end, in February 2007 Aisin Comcruise Co., Ltd., which specializes in software development for embedded systems, was jointly established by Aisin Seiki and other Group companies to further strengthen crucial core technologies such as control, software and simulation technologies.

The AISIN Group will continue to accelerate the development of proprietary system products.

### ● AISIN's Technological Development Structure



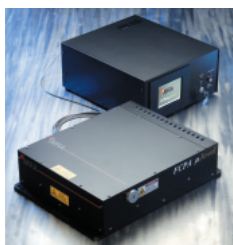


Domestic and overseas operations of the AISIN Group include four advanced R&D companies through which we are pursuing cutting-edge technologies in the automotive field and other areas. In particular, IMRA America, Inc., located in the state of Michigan in the United States, and IMRA Europe S.A.S. of France are collaborating with local universities and research institutes on state-of-the-art technologies in information and energy.

Among IMRA America's research results, in April 2007, the company's femtosecond fiber laser\*1 FCPA  $\mu$ Jewel™ was equipped on the VisuMax™\*2 eye surgery system developed by German medical company Carl Zeiss Meditec AG. The VisuMax system, which incorporates IMRA's advanced femtosecond fiber laser technology and Carl Zeiss's world-renowned optical lens technology, boosts a level of safety and reliability far beyond conventional methods of eye surgery.

\*1) Pulse laser that intermittently emits pulses of light, with pulse duration on the order of a femtosecond (10-15, 1 femtosecond = one quadrillionth of a second).

\*2) Product name of the device used to perform LASIK, a surgical procedure used to correct myopia or astigmatism. VisuMax™ will be available in the United States and Europe from the latter half of 2007, while sales in Japan are pending until approved by the Ministry of Health, Labour and Welfare.



Femtosecond fiber laser FCPA  $\mu$ Jewel™

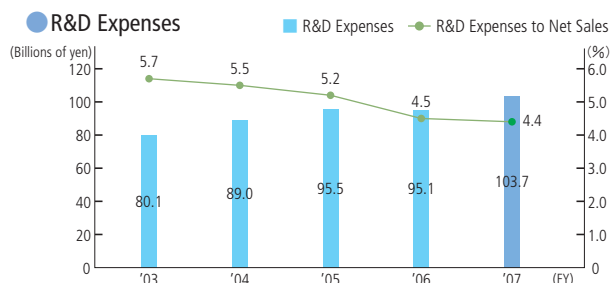
In terms of environmental technology, AISIN is actively working to develop global environment-friendly products as well as undertaking research on recycling technology. As for auto-

motive parts, in March 2006 AISIN introduced into the market the world's first RWD hybrid transmission, which was jointly developed with Toyota Motor Corporation (TMC). Together with the FWD hybrid transmission introduced in 2004, we have further bolstered our hybrid system lineup.

In the life related and other products business, we continued our collaboration with TMC for the development of residential fuel cell cogeneration systems, and commenced demonstration tests in private residences in Aichi Prefecture in October 2006.

AISIN is actively developing an array of devices and technologies from gas engine cogeneration systems that are already commercially available to promising products such as dye-sensitized solar cells targeted for commercialization in the near future.

Competition within the technological development field is gaining in intensity, making a high level of investment essential. Our basic stance is to focus our efforts on forward-looking technological development regardless of temporary fluctuations in the business environment or business results. We will continue to make proactive investments to rapidly introduce new products closely tailored to customer needs.



## Evaluating Reliability

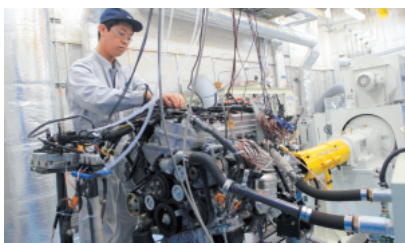
### ■ Enhancing Proving Grounds to Raise Quality and Thoroughly Assure Reliability

To provide products that meet the expectations for reliability from customers the world over, AISIN has pioneered as an automotive parts manufacturer by establishing proving grounds capable of evaluating not only individual parts but also the entire vehicle system. In 1970, AISIN established the Fujioka Proving Ground in Aichi Prefecture followed by the Toyokoro Proving Ground in Hokkaido in 1992, both of which are among the largest in the world. Overseas, AISIN was the first Japanese supplier to construct a proving ground in North America, with the Fowlerville Proving Ground in the U.S. state of Michigan.

In meeting the needs for systemization and increasingly sophisticated products, AISIN is enhancing its evaluation and testing capabilities for automobile compatibility and systems. In

September 2005, AISIN upgraded its Toyokoro Proving Ground with a new track equipped with a close reproduction of a standard freeway with slopes and no banked curves. Iron bridges, tunnels and concrete walls also allow assessment of radio disturbances and ITS-related issues, offering a testing environment that simulates actual driving conditions.

As we anticipate future needs in the global market, AISIN will continue to upgrade evaluation facilities and strengthen our development structure to enable testing and evaluations under a variety of environmental conditions found throughout the world. We believe these initiatives in turn will raise the quality and reliability of our products.



Conducting engine bench testing (Fujioka)



Iron bridge test road simulating highway driving (Toyokoro)



Anechoic chamber which evaluates the influence of electromagnetic waves on electronic devices (Fujioka)

## Production Technology

### ■ Developing Unique *Mono-zukuri* with an Unflinching Spirit of Inquiry and Flexible Ideas

To provide customers with high-quality, high-performance products at low prices, we are taking a unique approach toward *mono-zukuri* underscored by our unflinching spirit of inquiry and flexible ideas. Further, we are focusing concerted efforts on nurturing outstanding staff possessing manufacturing know-how so that we can deploy our approach to *mono-zukuri* throughout the world.

Production technologies extend from the development of emerging technologies for new manufacturing processes to the development of technologies for commercialization, preparing for mass production and making improvements. By implementing dedicated activities based on the fundamentals of *mono-zukuri*, we are strengthening the development of proprietary manufacturing processes, facilities and production systems in metal forming, plastic molding, iron casting and other areas.

Additionally, AISIN is in the process of standardizing production by internally making simple, streamlined and efficient equipment and molds that can be mastered by any AISIN employee in any country, allowing us to realize significant cost reduction and enhanced competitiveness.

A specific example of this is the production line for height sensors at the Handa Electronic Plant. By thoroughly simplifying the production line, we reduced the space required by one-fifth while raising productivity by 1.4 times.

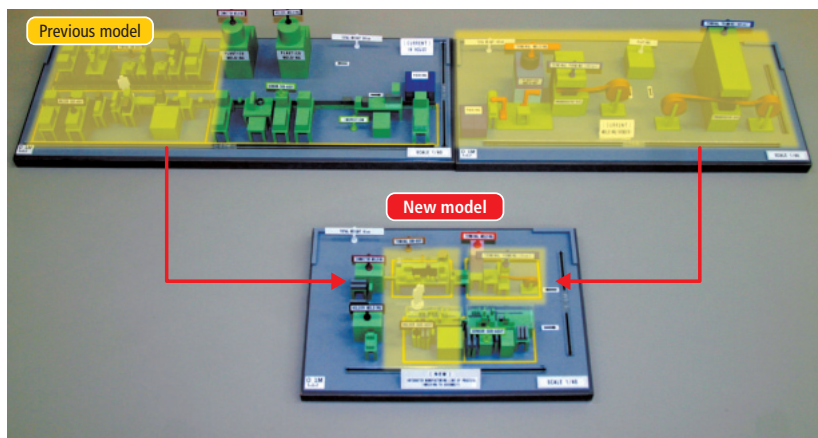
Nurturing people is at the heart of *mono-zukuri*. AISIN

therefore places a strong emphasis on training personnel who possess broad and sophisticated technological knowledge and advanced skills and who can operate on a global playing field so that we can make sure we can provide products with AISIN quality to the four corners of the world.

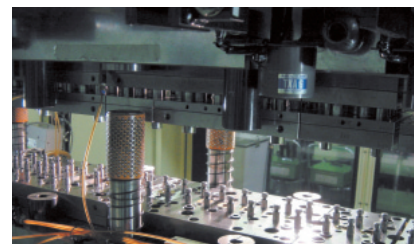
AISIN is proceeding with preparation of the Production Engineering Center, scheduled for opening in August 2007. The Production Engineering Center will function as a nucleus for the global deployment of production technologies and significantly strengthen AISIN's "*mono-zukuri* power" by consolidating production engineering-related functions, including the development of manufacturing processes and the design and production of equipment and molds, presently dispersed across various regions. The center will create revolutionary new production technologies that are outstanding in terms of economic efficiency as well as safety and the environment, with efforts ranging from the development of emerging technologies for new manufacturing processes to the development of technologies for commercialization.

In January 2007, AISIN newly established the Manufacturing Career Development Department to devise the framework for the smooth operation of overseas plants and accelerate standardization in production to ensure the manufacture of products with the same high quality at all production bases worldwide.

### ● Introducing a Simple and Streamlined Global Production Line



Model of height sensor production line



High-precision molds for forging press



Production Engineering Center (artist's rendering)

## Globalization

# Aiming to Assure Dramatic Overseas Growth and a Globally Balanced Earnings Structure to Further Enhance Our Global Network

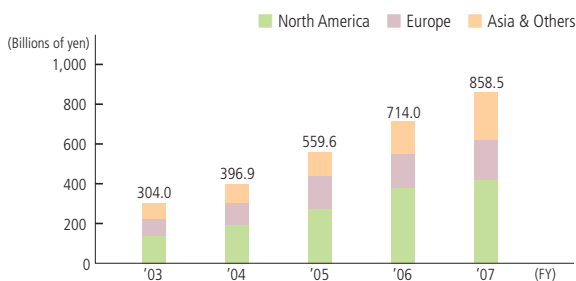
In pursuing business expansion in the global market, AISIN has striven to strengthen production bases worldwide and fortify its sales and development structure. In fiscal 2007, overseas sales rose 20.2% from the previous fiscal year to ¥858,530 million. As a result, the ratio of overseas sales to total net sales rose 2.4 percentage points to 36.1%.

It is anticipated that further expansion of the automobile industry as a whole will continue. To anticipate such trends and needs, AISIN worked aggressively to construct a production and supply structure overseas. In fiscal 2007, efforts to increase sub-

sidiaries were particularly strong in North America, China and ASEAN countries, with consolidated subsidiaries numbering 72 in Japan and 81 overseas, including 32 in North America, 10 in Europe and 39 in Asia & Other regions. Currently, overseas subsidiaries represent more than half of the total.

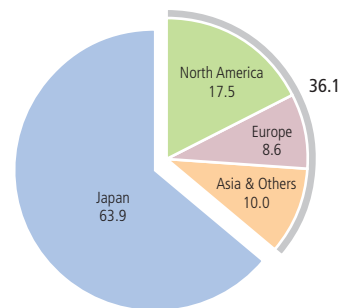
As a global partner, AISIN seeks to appropriately address the needs of customers around the world by ensuring that it operates in every region where automobile manufacturers operate through continued expansion of its bases.

### Overseas Sales



### Overseas Sales to Total Net Sales (%)

FY2007



### Newly Added Subsidiaries in Fiscal 2007

Aisin Comcruise Co., Ltd. (Japan)  
 AD Nobi Co., Ltd. (Japan)  
 AD Sunutopia Co., Ltd. (Japan)  
 Aisin Chemical Indiana, LLC (U.S.A.)

Aisin Mfg. California, LLC (U.S.A.)  
 Aisin AI Europe GmbH (Germany)  
 Long Go Industry Co., Ltd. (Taiwan)

## Japan

### Augmenting the Production and Development Structure

In fiscal 2007, net sales in Japan were up 8.1% from the previous fiscal year to ¥1,520,100 million. This was due mainly to expanded sales arising from increased production and new car launches by our major customers.

Given that the automobile industry is a core industry of Japan, each automobile manufacturer continues to produce cars at high levels. While AISIN has already embarked on a policy of promoting localized production, management decides where to manufacture by considering a range of elements that include the production environment, costs and investment efficiency. AISIN is working to develop the production and development structure in Japan while expanding abroad.



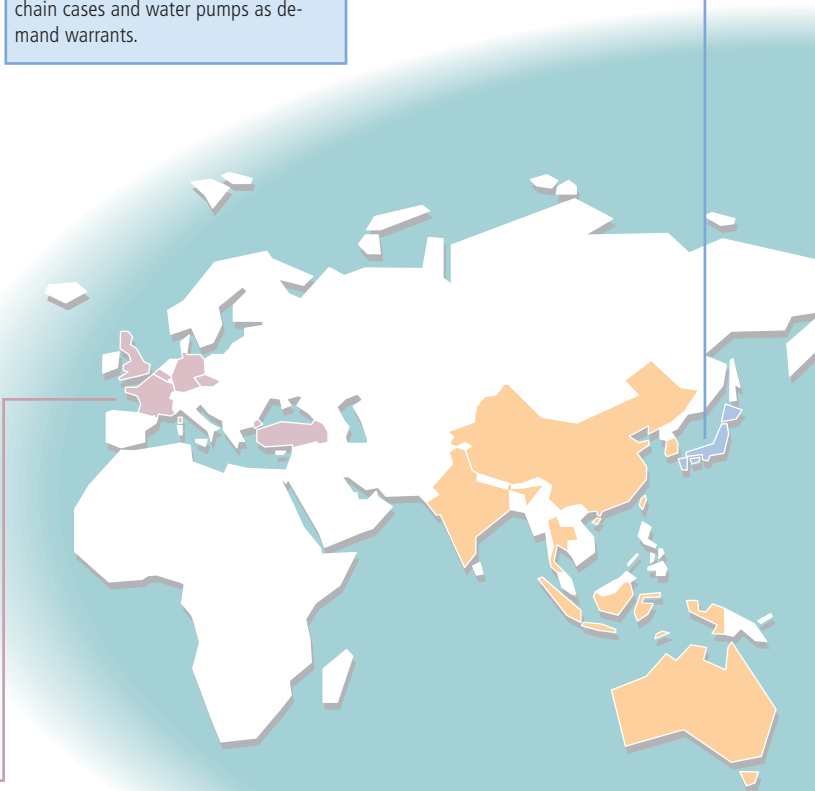
**Aisin AI Co., Ltd. Kira Plant**  
(scheduled to commence production in January 2008)

With orders for MTs increasing, Aisin AI established the new plant in the convenient neighborhood of Kira-cho to mutually complement production of the nearby headquarters plant as a second manufacturing base in Japan.



**Aisin Hokkaido Co., Ltd.**

Commenced production of valve bodies in April 2007, with volume increasing in stages. The company plans to increase its product range to include timing chain cases and water pumps as demand warrants.



## Europe (including Turkey)

### AT and Car Navigation System Growth Drives Increase in Sales

In fiscal 2007, net sales in Europe increased 18.0% from the previous fiscal year to ¥205,129 million. This was due mainly to an increase in sales of ATs and car navigation systems to European automakers.

With an expansion of the EU to former Eastern bloc countries, continued growth of the European market is expected. In anticipation of emerging opportunities, AISIN is expanding business with leading local automobile manufacturers, mainly in ATs, MTs and car navigation systems.



**AW Europe S.A.**

Commenced local production of car navigation systems in November 2005. The company expanded product sales to European automakers in 2006.



#### ADVICS Manufacturing Ohio, Inc.

A rapid increase in demand is forecast as electronic stability control (ESC) equipment becomes mandatory in North America. Local production is scheduled to commence in 2008.

#### Aisin Mfg. California, LLC

(scheduled to commence production in January 2008)

#### Aisin Canada, Inc., Second Plant

(scheduled to commence production in January 2008)

AISIN strengthened the production structure by establishing a new company in the U.S. state of California and a second plant in Canada to meet an increase in orders for door frames from the West Coast of the United States and Canada.

## North America

### Augmenting the Production Structure in Response to Sales Expansion by Customers

Fiscal 2007 saw net sales in North America rise 10.1% from the previous fiscal year to ¥415,764 million. This was due mainly to expanded sales arising from increased production and new car launches by major customers.

AISIN regards North America as its second core market, and one that represents the second largest share of total net sales after Japan. To respond to expanded production arising from an increase in sales by customers, AISIN is working to strengthen and reorganize an operational structure that spans North America from Canada to Mexico.

## Asia & Others

### Expanding Sales in China

In fiscal 2007, net sales in Asia and Others jumped 46.2% from the previous fiscal year to ¥237,637 million. This was due in large part to increased production by customers in China as well as the commencement of operations at new production bases.

AISIN is developing the production structure in China in expectation of rising demand in the nation's automobile market, which is forecast to sustain remarkable growth for the foreseeable future. The business foundation was enhanced with the establishment of production bases for brake, engine and body related components in the northern and southern regions of China, respectively. In Southeast Asia, we added and strengthened manufacturing lines at existing production bases, mainly in Thailand and Indonesia, to meet customer demand.



#### Aisin Seiki Foshan Body Parts Co., Ltd.

Commenced production of electric sun-roofs and motor housings for power seats in May 2006.



#### PT. AT Indonesia

In September 2006, a new foundry plant and a third casting line commenced operation, strengthening production capacities for casting products.

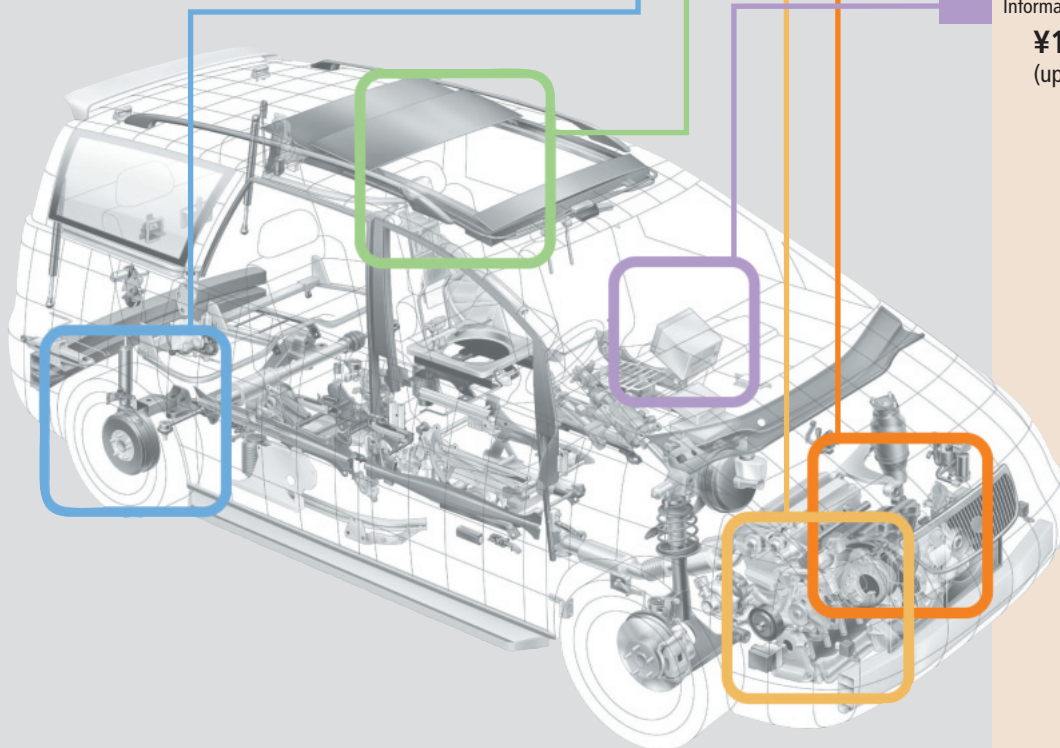
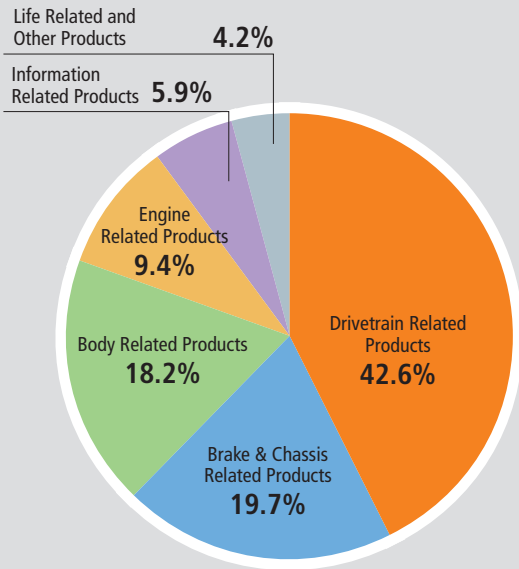


#### Aisin do Brazil Com. e Ind Ltda.

To respond to production increases of customers, in September 2006 operations were shifted to a new plant with double the scale, augmenting production capacities.

# AISIN at a Glance

## Net Sales and Percentage of Sales (Fiscal 2007)



Drivetrain Related Products  
**¥1,014,017 million**  
 (up 12.5%)

Brake & Chassis Related Products  
**¥468,261 million**  
 (up 10.1%)

Body Related Products  
**¥433,211 million**  
 (up 14.1%)

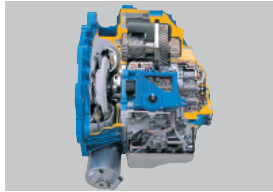
Engine Related Products  
**¥223,275 million**  
 (up 13.1%)

Information Related Products  
**¥140,053 million**  
 (up 13.7%)

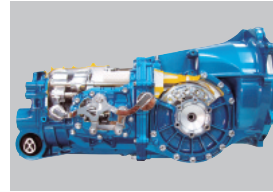
Life Related and Other Products  
**¥99,795 million**  
 (up 6.6%)

### Drivetrain Related Products

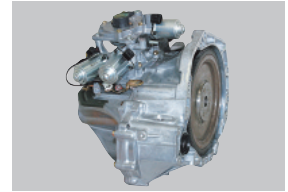
- Automatic transmissions (ATs)
- Manual transmissions (MTs)
- Automated manual transmissions
- Continuously variable transmissions (CVTs)
- Hybrid systems
- Clutch discs
- Clutch covers, etc.



High torque capacity FWD 6-speed AT



RWD 6-speed MT



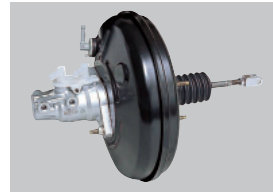
Automated manual transmissions

### Brake & Chassis Related Products

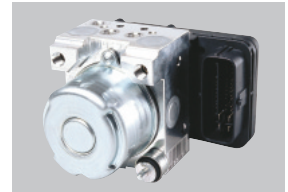
- Drum brakes
- Disc brakes
- Brake booster and master cylinders
- Antilock brake systems (ABSs)
- Electronic stability controls (ESCs)
- Air suspension systems, etc.



Hydraulic booster



Brake booster and master cylinder



ABS

### Body Related Products

- Door latches
- Power sliding door systems
- Sunroofs
- Power seats
- Occupant weight sensors
- Door frames, etc.



Power sliding door system



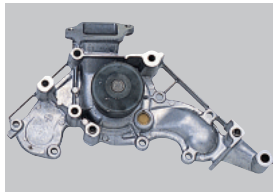
Power retractable seat



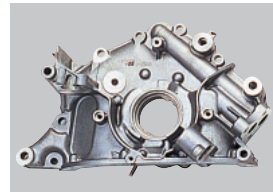
Panoramic roof

### Engine Related Products

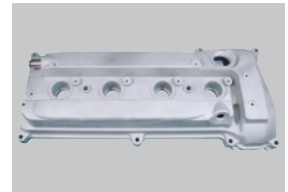
- Water pumps
- Oil pumps
- Pistons
- Intake manifolds
- Exhaust manifolds
- Variable valve timings (VVTs), etc.



Water pump



Oil pump



Cylinder head cover

### Information Related Products

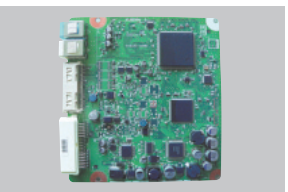
- Car navigation systems
- Parking assist systems
- Lane departure warning systems
- Front and side monitor systems
- Intelligent Parking Assist, etc.



Car navigation system



Intelligent Parking Assist and control board



### Casting Related Products

- Press components
- Aluminum die castings
- Iron castings
- Plastic moldings
- Magnesium die castings, etc.



Transmission case



Bumper reinforcement employing die quench process



High-performance spray damping coat

### Life Related and Other Products

- Beds
- Sewing machines
- Shower-toilet seats
- Gas engine driven heat-pump air conditioners (GHPs)
- Gas engine cogeneration systems
- Residential remodeling
- Electronic wheelchairs
- Self-support reclining beds, etc.



Bed



Home-use sewing machine

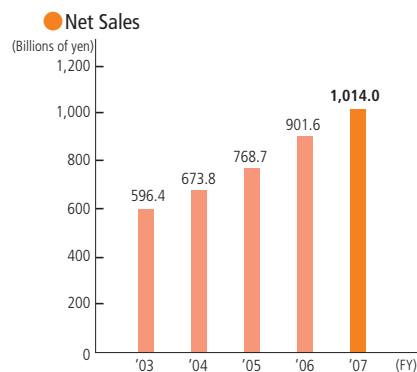


Electronic wheelchair

## Drivetrain Related Products

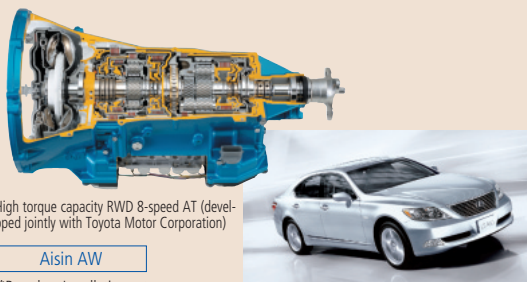
In the fiscal year under review, net sales for the drivetrain related products segment increased 12.5% to ¥1,014,017 million (US\$8,590 million). The driving force behind this growth was robust sales of ATs and CVTs at Aisin AW and MTs at Aisin AI.

In the drivetrain related product market, coinciding with the shift toward greater fuel efficiency, the proliferation in the variety of drivetrains available in the market continues unabated, including multi-step transmissions, CVTs and hybrid systems. To rapidly meet this diversification in market needs and offer a full lineup of drivetrains, AISIN is undertaking technological development ahead of the times, aggressively expanding sales to the world's automobile manufacturers and strengthening the supply structure. While preserving its No. 1 global share in the AT market, AISIN is striving to become the world's No. 1 manufacturer in all fields related to drivetrains, beginning with its world-leading MTs.



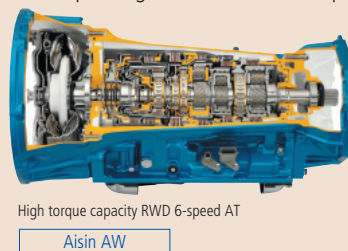
### Development of the World's First 8-speed AT

The world's first RWD 8-speed AT realizes both high fuel efficiency and an exceptional driving experience enabled by superb acceleration performance by harnessing the engine's high torque capacity. The AT is fitted on the *LS460*, a Lexus flagship model.



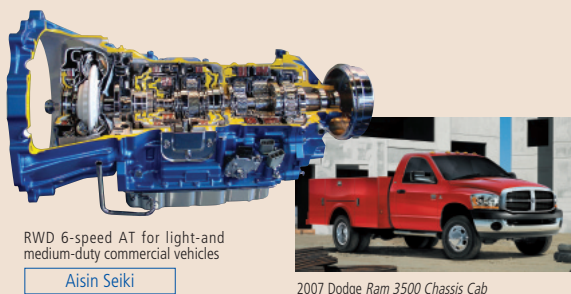
### Sales Expansion of 6-speed ATs

In addition to Toyota Motor Corporation, AISIN is expanding sales of 6-speed ATs mainly to European automakers, including Volkswagen, Audi and Volvo. Moreover, we have started supplying to such Chinese manufacturers as Shanghai Automotive Industry Corporation and Chongqing Changan Automobile Company Limited, increasing the number of customers for ATs for passenger vehicles to 37 companies.



### Overseas Sales Expansion of RWD 6-speed ATs for Compact Commercial Vehicles

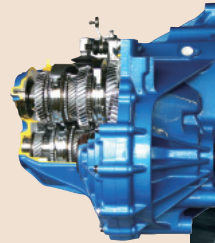
Chrysler LLC became the first non-Japanese carmaker to select AISIN's 6-speed ATs for compact light-and medium-duty commercial vehicles, which were introduced into the market in 2004, to be fitted in Dodge *Ram Chassis Cabs* beginning in autumn 2006.





### Strong Sales for High Torque Capacity FWD 6-speed MTs

Available since 2005, the BG6 FWD 6-speed MT was adopted in the Mazda *Axela*, Mitsubishi *Outlander* and other models. Sales of the BG6 have been expanding mainly in the European market, and it is our biggest production model with installation on a total of 14 models manufactured by five automakers.



High torque capacity FWD 6-speed MT  
Aisin AI

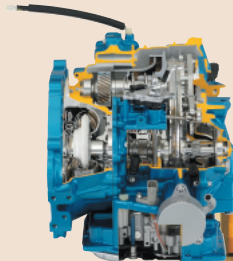


Mitsubishi *Outlander* (for overseas markets)

### Development of Compact CVTs for 1.8-liter Class Vehicles

AISIN's new compact CVTs ensure both higher fuel efficiency and acceleration at the optimum transmission gear ratio by employing control technologies cultivated through the development of ATs. The product is fitted in Toyota's *Corolla Axio* and *Corolla Fielder*.

In December 2006, a capital transfer was carried out involving CVTEC Co., Ltd., a joint venture between Aisin AW and Bosch Corporation that produces CVT belts. CVTEC was subsequently made into an AISIN subsidiary with the aim of bolstering an integrated development structure for CVTs and belts.



CVT  
Aisin AW

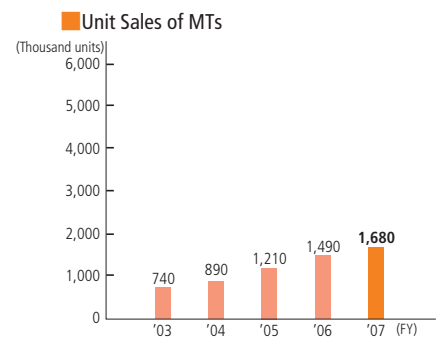
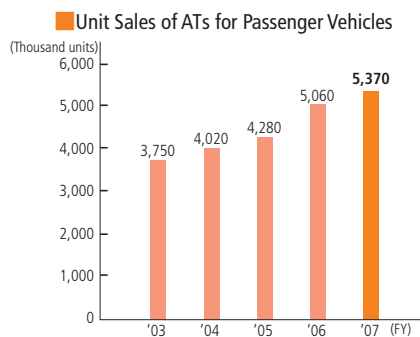


Toyota *Corolla Axio*

### Development of Hybrid Systems

AISIN has been proactively engaged in the development of hybrid systems with high environmental performance. In March 2006, we released the world's first RWD 2-motor hybrid transmission jointly developed with Toyota Motor Corporation. Together with the FWD hybrid transmissions introduced in 2004, we are bolstering our hybrid system lineup.

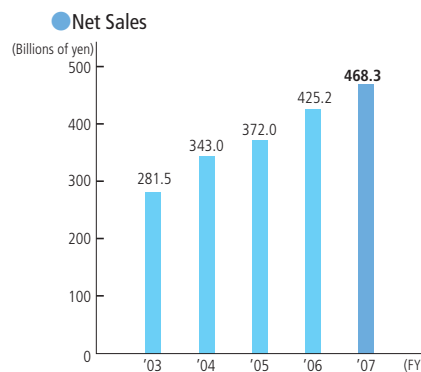
**DATA**



## Brake & Chassis Related Products

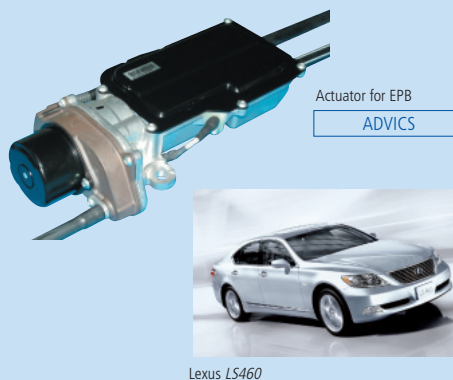
In the fiscal year under review, net sales for the brake and chassis related products segment increased 10.1% to ¥468,261 million (US\$3,967 million). This is due mainly to strong global sales of brake systems and brake components at ADVICS.

In the brake and chassis related product market, the key to surviving the competition is to offer superior-quality components and system products at a reasonable price. While raising the technological level of its brake system to an unmatched worldwide level through electronic controls, automobile testing and other technologies, AISIN is also working to develop safer, more reliable system products for ABS, brake assist, traction control and ESC systems as it aims to become a comprehensive system supplier not only in the mainstay brake related products field but also in the chassis related products field, including steering and suspension systems.



### Japan's First Electric Parking Brake (EPB)

AISIN developed an electric version of conventional parking brakes, which realize a reduction in control force and an expansion of foot space due to the removal of the parking brake pedal. In addition, convenience and safety are greatly improved by automatic actuation and release linked to shifting operations. The product is equipped on the Lexus LS460 released in September 2006.



### Development of Next-generation ABS and ESC Modulators

● **ABS "ADS-A2" Modulator**

The ABS "ADS-A2" modulator incorporates a motor drive system and control valves that have been modified, leading to a roughly 20% reduction in weight and size compared with the previous modulator.

● **ESC "ADS-V2G" Modulator**

The ESC "ADS-V2G" modulator uses AISIN's unique gear pumps to achieve superior quietness, and through the use of brake controls, it supports various extended functions such as Radar Cruise Control and Pre-Crash Safety systems.



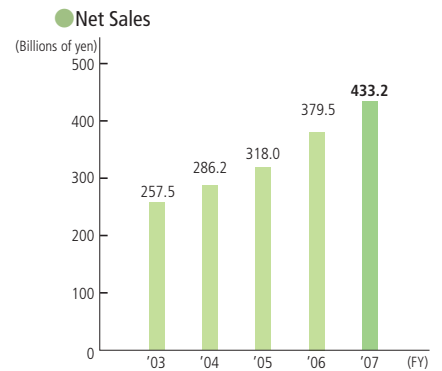
Both products are equipped on the Toyota Corolla Axio and Corolla Fielder.



## Body Related Products

In the fiscal year under review, net sales for the body related products segment rose 14.1% to ¥433,211 million (US\$3,670 million). Robust sales of Aisin Seiki's power sliding door systems, seat components, door handles and other products were a key contributor to this increase.

In the body related products segment, needs are shifting as user preferences diversify in such areas as safety, comfort, convenience, user-friendliness and spaciousness. In anticipation of future needs, AISIN aims to employ a wide array of accumulated mechatronic and electronics technologies to introduce new and valued products that reflect the varied needs of users and in turn expand business in the global market.



### World's First Safety Technology to Reduce Whiplash Injury

In case of an unavoidable collision with a vehicle from the rear, the Pre-Crash Safety system is activated to cushion the shock to the neck and reduce the risk of whiplash injury by moving the front part of the head restraint forward, thus shortening the distance between the head and head restraint.



Before activation



After activation

Pre-Crash Intelligent Head Restraint (developed jointly with Toyota Motor Corporation, Toyota Boshoku and Yazaki Corporation)

Aisin Seiki

Lexus LS460



### Jointless Zinc Die Casting Door Frame Molding

By using the latest CAE flow analysis and applying the high decompression casting technology to zinc die casting products for the first time, defects in die casting materials are reduced to the bare minimum. The craftsmanship of skilled engineers and the highest grade of chrome plating offer the glossy luster and a seamless and fine appearance befitting a prestige luxury vehicle. The door frame molding is fitted in the Lexus LS460.



Zinc die casting door frame molding

Aisin Seiki

Lexus LS460



### First Use of Power Sliding Door System in a Bonnet-type Minicar

AISIN reduced the size of the drive unit built in the sliding door to enable use in "kei" (mini) cars. Providing a spacious cabin space, this system was adopted in the Mitsubishi eK Wagon, the first on a bonnet-type minicar.



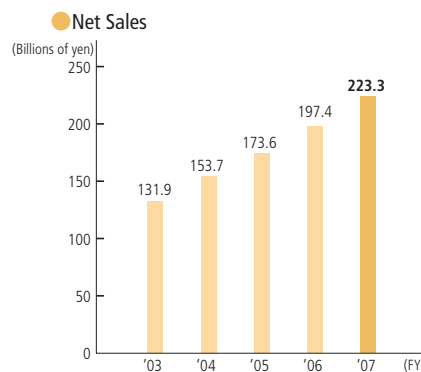
Mitsubishi eK Wagon

Aisin Seiki

## Engine Related Products

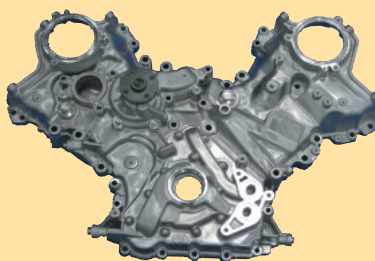
In the fiscal year under review, net sales for the engine related products segment rose 13.1% to ¥223,275 million (US\$1,891 million). The key factors included higher sales of Aisin Seiki’s engine front modules and other aluminum components in North America and Europe.

In the engine related products market, fuel consumption and exhaust emission regulations have grown more stringent in numerous countries around the globe. Such regulations are in turn encouraging a variety of measures that include the development of key technologies in the areas such as diesel, hybrid and bioethanol by industry leaders in an effort to lower automobile emissions and raise fuel efficiency. In striving to strengthen technologies covering all aspects of an engine, AISIN handles a wide variety of engine peripherals and cast components and employs elemental technologies that raise fuel efficiency, boost output and reduce emissions. This includes VVTs, which contribute to a reduction in emissions, as well as stainless steel exhaust manifolds, which help to reduce weight.



### Sales Expansion of Engine Front Module

AISIN has integrated the water pump, oil pump and other functional parts into the engine front case, and thus reduced the number of components. In fiscal 2007, this product was equipped in the new Lexus LS460 and Toyota’s Corolla Axio and Corolla Fielder.



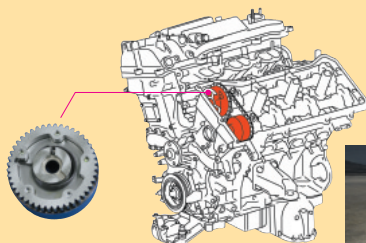
Engine front module  
Aisin Seiki



Lexus LS460

### Expanded Sales of VVTs

A VVT is a device that controls timing for opening or closing the valve for air intake or exhaust according to the driving condition. It is effective in improving fuel efficiency when idling as well as reducing harmful substances found in exhaust emissions during medium load conditions, and contributes to raising output during high load operating conditions. The product was newly installed in the Nissan Altima (for North America) and Volvo V70.



VVT  
Aisin Seiki

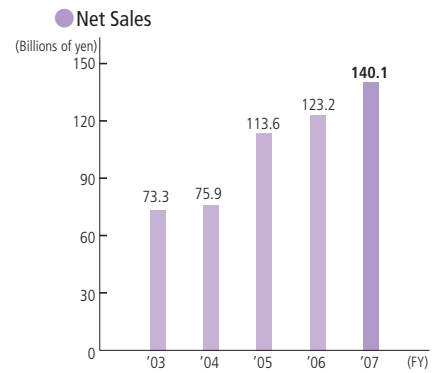


Nissan Altima (for North America)

## Information Related Products

In the fiscal year under review, net sales for the information related products segment rose 13.7% to ¥140,053 million (US\$1,186 million). This was primarily attributable to a solid growth in sales of Aisin AW's car navigation systems. AISIN maintained its position as the leading global car navigation system manufacturer with total annual sales of 1.03 million units.

Business opportunities in the information related products segment are expanding rapidly as interfaces between automobiles and peripheral IT devices and advances in information and telecommunications along with electronics technologies make unprecedented levels of safety and convenience possible. By leveraging state-of-the-art technologies in such fields as electronics and imaging processing, we strive to expand the information related products business by enhancing the lineup of system products centered on car navigation systems as well as peripheral monitoring systems employing imaging processing technology and other products.



### Enhancing Operability of Intelligent Parking Assist

Steering operability is enhanced by adding a function that detects the position of parked vehicles using front ultrasonic sensors to conventional systems that support steering operations when parking. The system is fitted in the Lexus LS460, Toyota Corolla Axio, Toyota Blade and other models.



Toyota Corolla Axio



Intelligent Parking Assist with ultrasonic sensors (developed jointly with Toyota Motor Corporation)

Aisin Seiki



### Strong Sales of Car Navigation Systems for Europe

AISIN has introduced its first car navigation systems equipped with a general lane road guide for the European market, offering 23-country coverage and availability in 10 languages. In fiscal 2007, the system was installed on the Toyota RAV4, and sales were particularly strong in Europe.



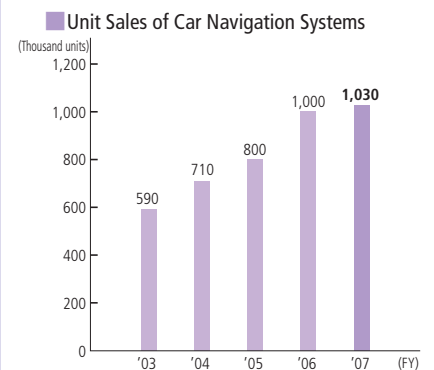
DVD Voice Navigation System for Europe

Aisin AW



Toyota RAV4 for Europe

#### DATA



## Casting Related Products

Casting related products refer to component parts utilizing such manufacturing processes as aluminum die casting, iron casting, plastic molding, pressing and magnesium die casting. These casting related products are used as components of such mainstay products as engine peripherals, transmissions, brakes and bodies, and are sold both in Japan and overseas in such forms as cylinder head covers, transmission cases and bearing caps.

AISIN's aggressive technological and production method development in this field plays an important role in raising the competitiveness of the Group's products and the added value available within the Group as a whole.

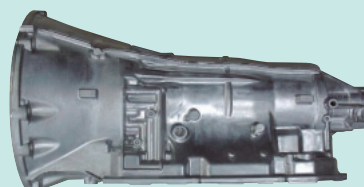
Net sales are included in the sales for automobile related segments.

### Major Domestic Group Companies Responsible for Casting Related Products

Company Name	Main Products
Aisin Seiki	Parts pressing, aluminum die casting, magnesium die casting
Aisin Takaoka	Iron casting, aluminum die casting
Aisin Chemical	Plastic molding, chemical products
Aisin Keikinzoku	Aluminum die casting and extrusion

### Realizing Lightweight, High Rigidity and Low Cost with Die Casting of Integrated AT Casing

An 8-speed AT with a size equivalent to a 6-speed AT has been realized with the development an integrated case that combines converter and extension housing. The high torque capacity RWD 8-speed AT has been used in the Lexus LS460.



Transmission case with integrated housing

Aisin Seiki



Lexus LS460

### Reducing Environment-impacting Substances via PVC-free Coating

Coating the car underbody protects the underside from rocks, as well as absorbs impact and reduces splash noise. PVC-free coating, which also enables energy recycling through incineration, has been used on the Lexus LS460 as of fiscal 2007.



PVC-free underbody coating

Aisin Chemical

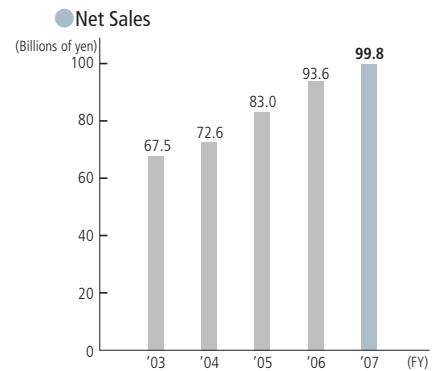


Lexus LS460

## Life Related and Other Products

In the fiscal year under review, net sales for the life related and other products segment rose 6.6% to ¥99,795 million (US\$845 million). The largest contributing factor was sales growth in shower-toilet seats as well as beds and related products.

In addition to automotive parts, AISIN's wide business range also includes such products as GHPs, beds and related products, shower-toilet seats, sewing machines, remodeling services, nursing care and welfare related products. Amid changes in the fabric of society, including concerns over environmental issues and the aging of society, the need for energy conservation and a healthy and comfortable lifestyle will play an increasingly prominent role. In its efforts to quickly respond to customer needs, AISIN is actively involved in the development of next-generation products, including residential fuel cell cogeneration systems and dye-sensitized solar cells, as we aim for an expansion in this business segment.



### Launch of New Type of GHP Connecting to Outdoor Units

Available from October 2006, the "D1 Series" GHP boasts the No. 1 position in the industry with regards to the number of indoor units that can be connected to a single outdoor unit as well as connection capacity. The product lineup is further enhanced with "Mato multi-unit type" models for customers who require air conditioning on a larger scale. Features enabling a high degree of control such as centralized control and operation, distributed air conditioning cost calculation and an open-network system are designed to meet needs specific to each customer.



### Release of High-end Bed Series

AISIN has added a reclining feature to its Super Flex Fit UX Mattress series that uses "FINEREVO" pliable elastomer blocks for a comfortable sleep. The "SATISFY" reclining bed was introduced from October 2006.



Reclining bed "SATISFY"

AISIN Seiki

### Enhancing the Lineup of Welfare Related Products

In March 2006, AISIN introduced "JUST BELLGRAND," the industry's first bed equipped with a mechanism that relieves sliding and abdominal thrust pressure when sitting up in bed. At the same time, it also made available the "BELLLET" portable toilet series, which with its flat design allows turning while in the sitting position.



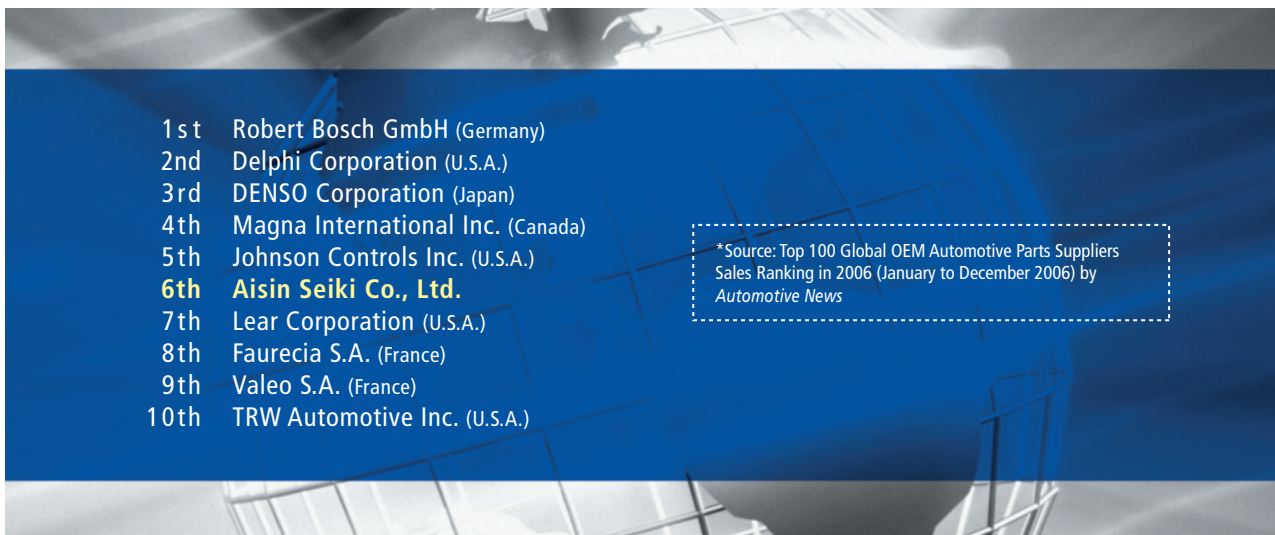
"JUST BELLGRAND" self-support reclining bed and "BELLLET" portable toilet series

AISIN Seiki

# Aiming to Further Evolve as a Worldwide Supplier

## Consolidated Sales Ranking of Global Automotive Parts Manufacturers in 2006 (January to December 2006)

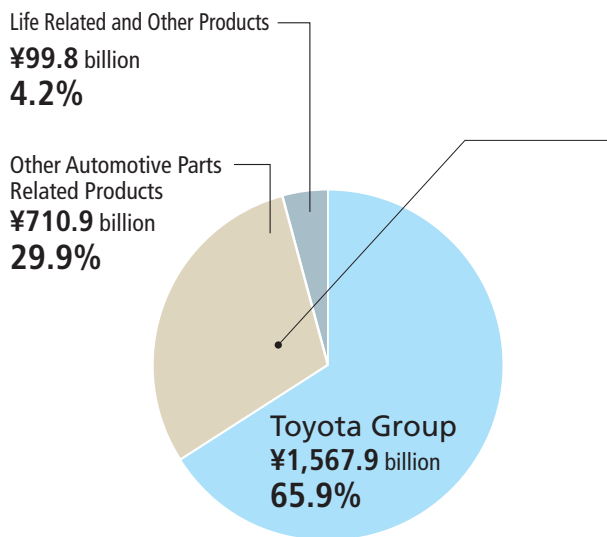
AISIN was ranked No. 6 among global automotive parts manufacturers and boasts the No. 2 position in Japan.



## Net Sales by Customer (Fiscal 2007)

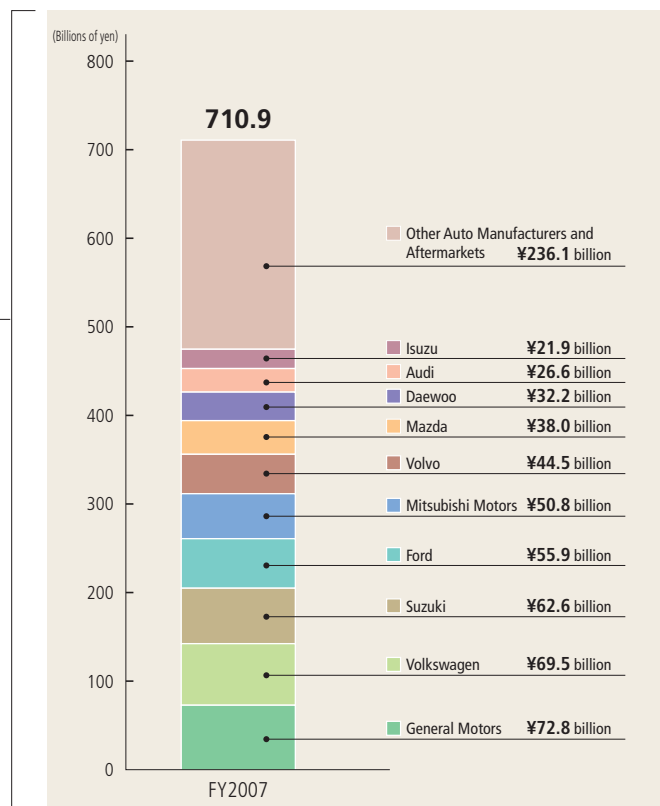
AISIN extensively conducts business with the world's major auto manufacturers.

[Net sales: **¥2,378.6 billion**]



\*Toyota Group: Toyota Motor Corporation, Daihatsu Motor Co., Ltd, Hino Motors Ltd. and others

## Sales Breakdown of Other Automotive Parts Related Products





# Commitment to Society

## Environmental Report

Environmental Management	32
Development and Design	36
Production	38
Environmental Communication	42

## Corporate Social Responsibility

Working with Various Stakeholders	46
Customer Relations	47
Employee Relations	48
Community Involvement (Corporate Citizenship Activities)	52

<Regarding the Section Entitled "Commitment to Society">

### Guidelines Referenced

"Guidelines for Environmental Reporting" issued by Japan's Ministry of the Environment  
GRI (Global Reporting Initiative) "Sustainability Reporting Guidelines 2002"

### Period Covered and Scope of Reporting

Period Covered: April 2006 to March 2007 (Also includes partial coverage since April 1, 2007)

Scope of Reporting: AISIN consolidated environmental management members (139 companies in Japan and overseas)



Tree planting in Thailand

◆For data and more detailed information on our environmental activities, please refer to the CSR section on the AISIN Global Site at <http://www.aisin.com/csr/>.

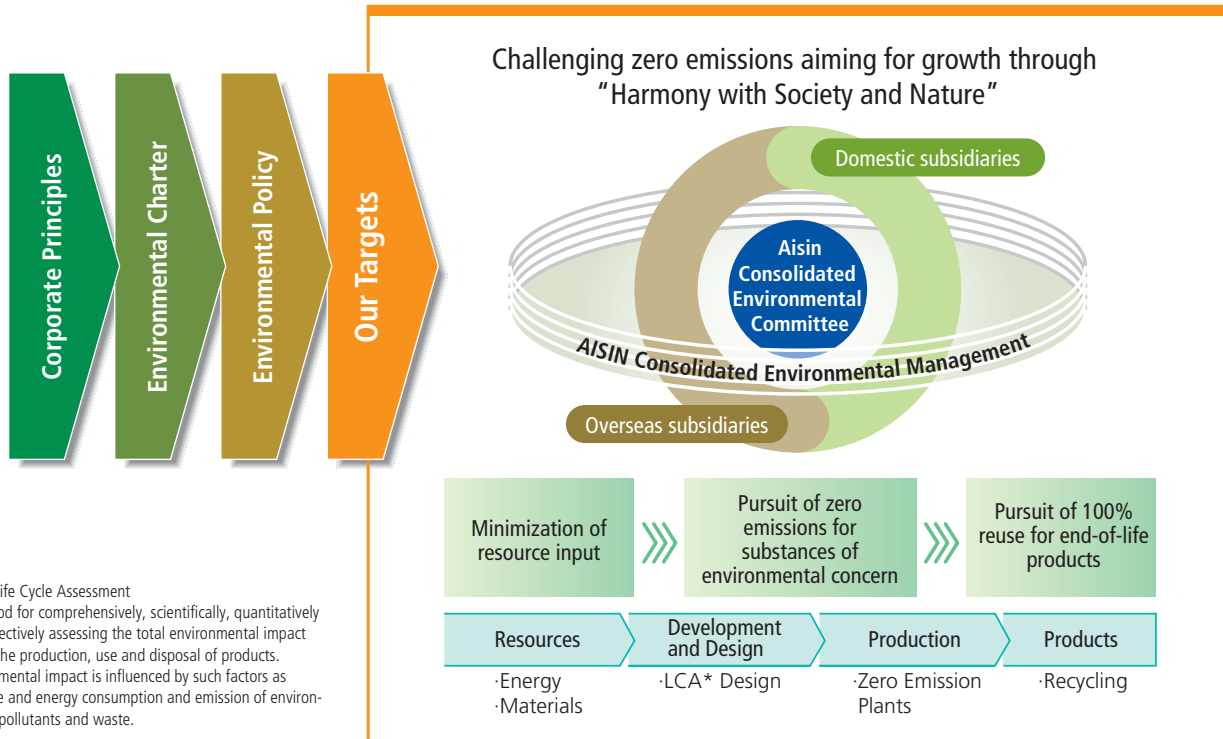
[www.aisin.com](http://www.aisin.com) > CSR > Environment

# Environmental Management

## Basic Stance

Aiming to be a Top Environmental Player through the Pursuit of Environmental Management

As a Group operating in the automobile industry, we invest as much effort as any competitor in addressing such fundamental environmental problems as global warming, air pollution and industrial waste. We are working to achieve environmental management that “brings people into harmony with the earth” under the banner of the Fourth Environmental Action Plan spanning the fiscal years 2007 through to 2011.



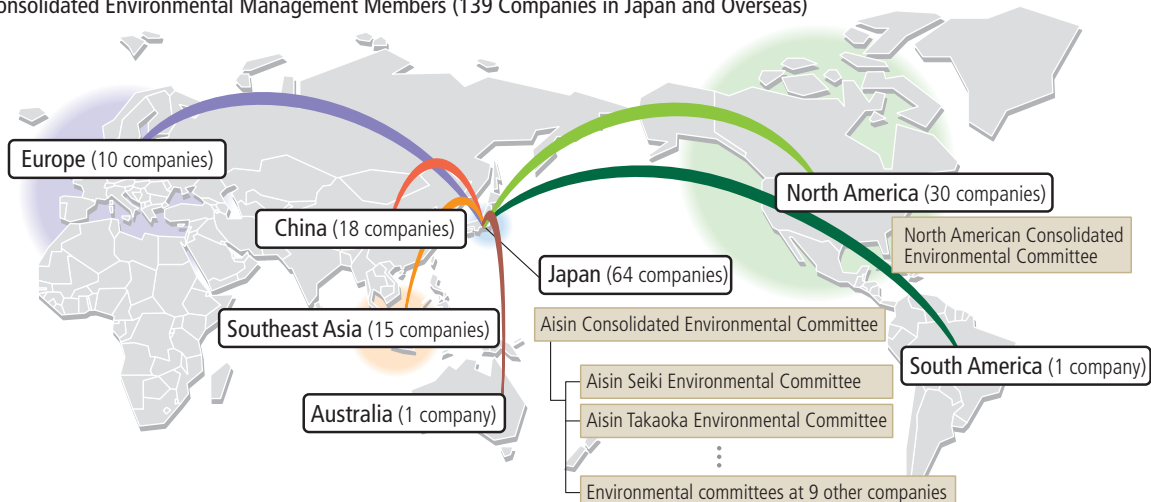
\*LCA: Life Cycle Assessment  
A method for comprehensively, scientifically, quantitatively and objectively assessing the total environmental impact during the production, use and disposal of products. Environmental impact is influenced by such factors as resource and energy consumption and emission of environmental pollutants and waste.

◆ For further details on “Corporate Principles,” “Environmental Charter” and “Environmental Policy,” please refer to the CSR section on the AISIN Global Site: [CSR > Environment > Environmental Management](#)

## Strengthening the Organizational Structure of Environmental Management

In November 2005, we expanded the number of companies involved in environmental activities and positioned the Aisin Consolidated Environmental Committee as the top organizational body over respective companies’ environmental committee to bolster the operational structure of consolidated environmental management.

### ● AISIN Consolidated Environmental Management Members (139 Companies in Japan and Overseas)



## Fourth Environmental Action Plan

### Becoming a Company Respected the World Over for our Environmentalism

The Fourth Environmental Action Plan devised in February 2006 outlines a five-year plan to encourage every employee around the world to share the same vision and emphasizes five key points to become a top environmental player.

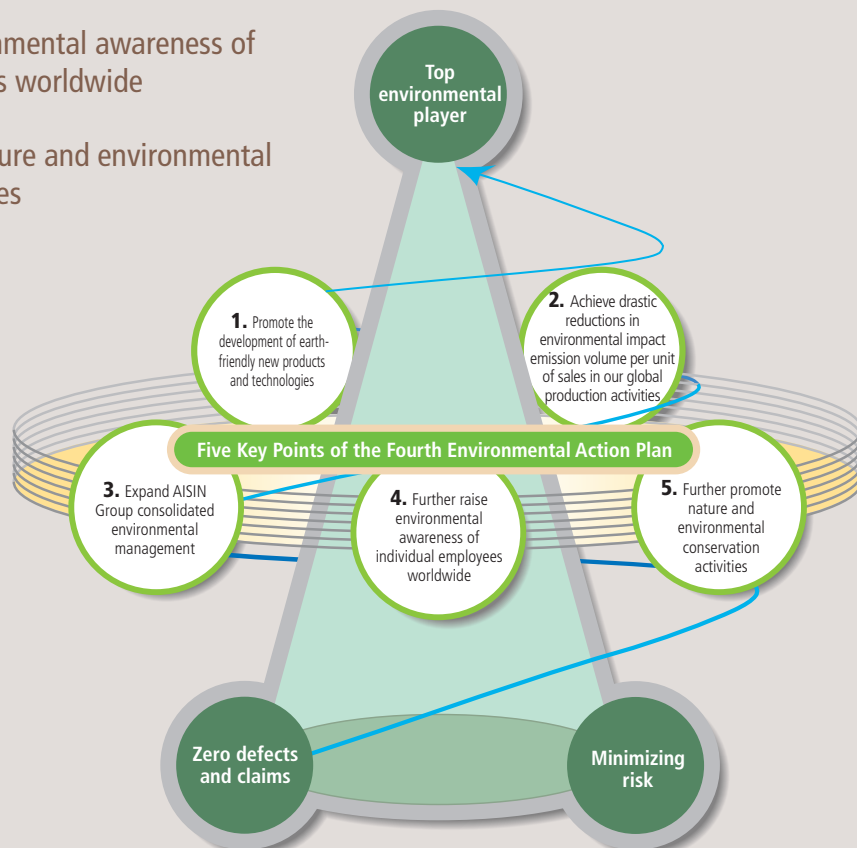
#### Five Key Points of the Fourth Environmental Action Plan

The Third Environmental Action Plan mainly outlined activities to reduce environmental impacts from production activities, particularly with regard to CO<sub>2</sub>, industrial waste and substances of environmental concern. The Fourth Environmental Action Plan builds off of those activities. In order to ensure thorough environmental management in every business activity, the plan calls for proactively developing such environmental products and technologies as fuel cells and establishing production technology and expertise that minimizes CO<sub>2</sub> emissions and waste, as well as raising environmental awareness among all employees.

- 1 Promote the development of earth-friendly new products and technologies
- 2 Achieve drastic reductions in environmental impact emission volume per unit of sales\* in our global production activities

\* Emission volume per unit of sales: Volume of emissions/net sales

- 3 Expand AISIN Group consolidated environmental management
- 4 Further raise environmental awareness of individual employees worldwide
- 5 Further promote nature and environmental conservation activities



# Environmental Management

## Results of Fiscal 2007 Environmental Activities

In fiscal 2007, the first year of the Fourth Environmental Action Plan, we increased the number of worldwide subsidiaries implementing global environmental management to 139 with the aim of further expanding global environmental conservation activities. In North America, in particular, Aisin Holdings of America, Inc. takes the initiative in enhancing consolidated environmental activities in the region. The energy efficiency of production bases was increased through such "mono-zukuri innovations" as simplification and streamlining and the reduction of substances of environmental concern in products ahead of legal mandates. Also, we minimized emissions in production and logistics and thoroughly implemented environmental management. In addition to proactively taking other measures such as obtaining ISO certification and establishing a structure to promote Life Cycle Assessment (LCA), further efforts targeted improving the accuracy of environmental accounting, which is one yardstick for measuring progress in environmental management.

### ■ Environmental Risk Management

In order to prevent possible environmental pollution triggered by accidents and disasters, we perform daily checks and periodic environmental measurements on equipment and facilities, for which their operation could pose risks to the environment. If any urgent measures are required, criteria are established, and periodic emergency drills are conducted.

In August 2006, groundwater and soil contamination was found at the Nishio Plant. However, we responded swiftly in accordance with guidance from the prefectural government. (For further details, please refer to page 38.)

### ■ Fiscal 2007 Results of Fourth Environmental Action Plan (Fiscal 2007 to Fiscal 2011)

Category	Key Initiatives of the Fourth Environmental Action Plan	Targets and Actions	Evaluation	Page
Management	Expand AISIN Group consolidated environmental management	Bolster structure of AISIN's consolidated environmental activities	○	35
		Develop environmentally friendly products	◎	36
Development and Design	Promote the development of earth-friendly new products and technologies	Promote utilization of LCA activities that designate environmental priorities for products	◎	37
		Strictly adhere to goal of switching from substances of environmental concern included in products	◎	37
Production	Achieve drastic reductions in environmental load emission volume per unit of sales in our global production activities	Devise and implement medium-term plan to reduce CO <sub>2</sub> , waste and VOC*	◎	38-41
Environmental Communication	Further raise environmental awareness of individual employees worldwide	Promote education and enlightenment activities to raise environmental awareness	◎	42-44
	Further promote nature and environmental conservation activities	Provide environmental education for local children and strengthen afforestation activities in Japan and abroad	◎	

\*VOC: Volatile Organic Compounds

VOC chiefly refers to manmade synthetic substances that can easily be released into the atmosphere at room temperature and under normal pressure. Toluene and xylene are representative VOC substances, although there are over 100 other substances within this category.

◆ For further details on results of fiscal 2007 activities, please refer to the CSR section on the AISIN Global Site:

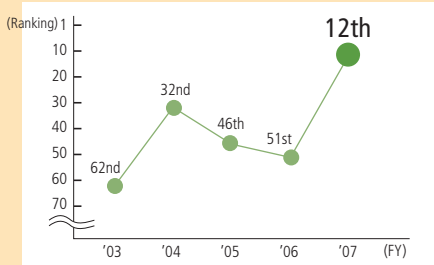
[CSR](#) > [Environment](#) > [Environmental Management](#) > [Results of Fiscal 2007 Environmental Activities](#)

Rising External Evaluation

No.12 in Nikkei Environmental Management Survey

In the 2006 Nikkei Environmental Management Survey, AISIN made a huge jump to 12th place from 51st place in 2005. Our environmental activities were highly evaluated with increased scores in all categories including resource recycling through "achieving zero emissions" and eco-friendly product development through the implementation of LCA.

We will analyze and identify issues based on the results of this evaluation so we can reflect these in our future activity plans.



Strengthening Consolidated Activity Structure

3rd Session of North American Consolidated Environmental Committee

In December 2006, AISIN held the third session of the North American Consolidated Environmental Committee, at which the activity results in fiscal 2007 were reported and the efforts for the next fiscal year were discussed. There were three major issues under discussion: (1) resolution of issues at the Aisin Consolidated Environmental Committee in Japan (reduction of CO<sub>2</sub> volume per unit of sales and building a reporting structure); (2) setting targets in accordance with changes in target management; and (3) collaboration with Aisin Seiki accompanying the strengthening of environmental consolidation.



Expansion of Environmental Management

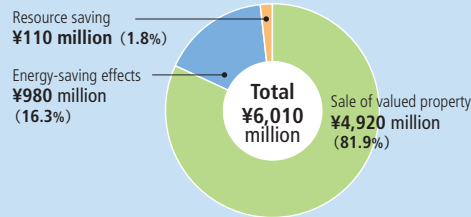
We made systematic efforts in environmental conservation through the establishment of a consolidated environmental management system. In fiscal 2007, eight domestic and overseas subsidiaries acquired ISO 14001 certification, bringing the total to 76.

Improving Environmental Accounting

Environmental accounting refers to costs and effects of environmental efforts undertaken. Regarding costs, data is identified and calculated according to guideline categories set forth by Japan's Ministry of the Environment. This year the number of Group companies covered by environmental accounting increased from 12 in the previous fiscal year to 24\* companies. On a non-consolidated basis, the effect of environmental measures for Aisin Seiki rose ¥170 million from the previous year to ¥6,000 million.

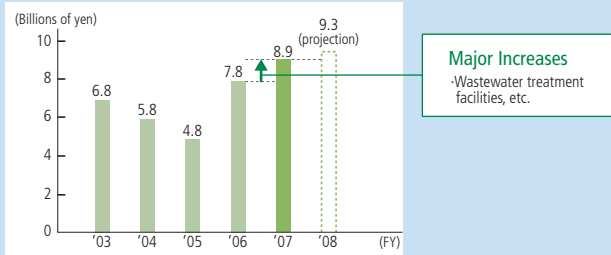
\* 24 consolidated companies: Aisin Seiki Co., Ltd., Aisin Takaoka Co., Ltd., Aisin Chemical Co., Ltd., Aisin AW Co., Ltd., Aisin Living Planner Co., Ltd., Aisin Keikinzoku Co., Ltd., Aisin Development Co., Ltd., Aisin Kiko Co., Ltd., Aisin AI Co., Ltd., Aisin Sin'ei Co., Ltd., Aisin AW Industries Co., Ltd., Hosei Brake Industry Co., Ltd., Aichi Giken Co., Ltd., Saitama Kogyo Co., Ltd., Yamagata Clutch Co., Ltd., Kotobuki Industry Co., Ltd., Sinsan Corporation, Aisin Engineering Co., Ltd., Aisin Maintenance Co., Ltd., Aisin Tohoku Co., Ltd., Aisin Kyushu Co., Ltd., Konan Kogyo Co., Ltd., Hekinan Unsou Co., Ltd. and Sanetsu Unyu Co., Ltd.

Effects of Environmental Conservation Measures (Non-consolidated)



\* There was no marked difference in waste from conservation activities as the current volume of waste emitted is negligible due to "zero waste activities."

Environmental Conservation Cost Statistics (Non-consolidated)

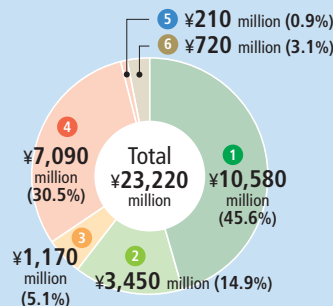


Major Increases  
-Wastewater treatment facilities, etc.

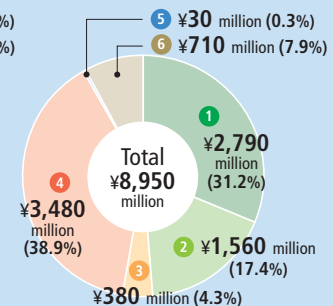
Environmental Conservation Costs

Category	Consolidated (24 subsidiaries)	Non-consolidated (Aisin Seiki)
1 Costs for business operation	¥10,580 million	¥2,790 million
2 Upstream and downstream costs	¥3,450 million	¥1,560 million
3 Costs for environmental management activities	¥1,170 million	¥380 million
4 Research and development costs	¥7,090 million	¥3,480 million
5 Costs for community involvement	¥210 million	¥30 million
6 Environmental damage countermeasure costs	¥720 million	¥710 million

Breakdown by Category (24 Subsidiaries) (Consolidated)



Breakdown by Category (Aisin Seiki) (Non-consolidated)



# Development and Design

## Basic Stance

Promoting the Development of New Earth-friendly Products and Technologies

The AISIN Group believes that reduction of environmental impacts and development of pioneering environmental technologies is key to building a sustainable society. In every business from automotive parts and life related to energy, we aim to develop high-performance, high-quality products with minimal impact on the environment through LCA and alternative energy research.

### Effective Use of Natural Energy

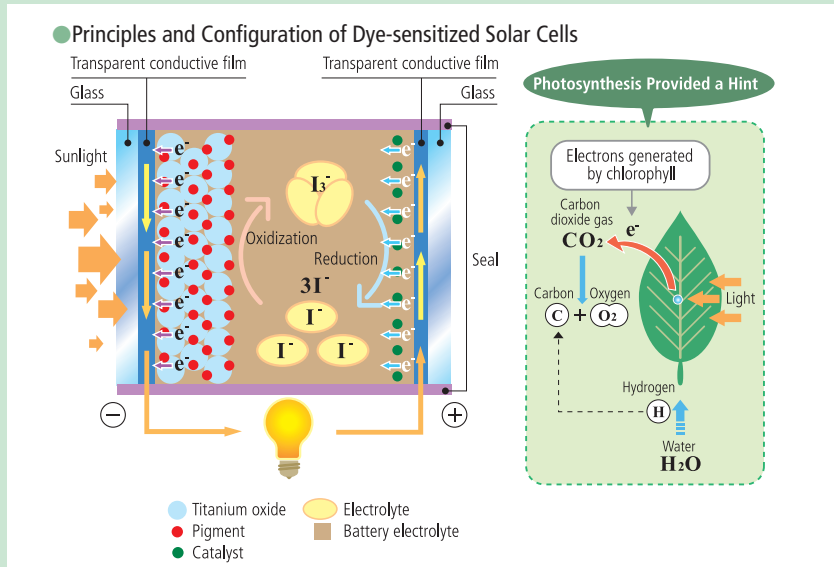
#### Development of Dye-sensitized Solar Cells

We have teamed up with Toyota Central R&D Labs, Inc. to develop dye-sensitized solar cells. Currently, we are conducting demonstration experiments aimed at commercialization.

Dye-sensitized solar cells were developed by taking a hint from plants' ability to perform photosynthesis. When light is applied to photosynthetic pigments in a plant's leaf, electrons are produced to break down CO<sub>2</sub>. AISIN developed synthetic pigments to generate electricity and use it for manufacturing, which results in low CO<sub>2</sub> emissions (approximately one-tenth of silicon-type generators) as well as keeping the cost of materials and manufacturing equipment low. Further, in addition to the considerable effects that can be gained by a modest amount of sunshine, other unique characteristics of dye-sensitized solar cells include translucency, lustrous color and malleable shapes, thereby offering a wide range of applications from conventional electric generators to building materials.



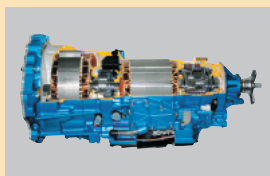
Working model of dye-sensitized solar cells on display at the World Expo 2005



#### Environmentally Friendly Product Development

##### Development of Hybrid Systems

AISIN has been involved in the development of eco-friendly products from early on. For example, in 2004 we developed the FWD 2-motor hybrid system, and in 2006, we successfully commercialized the world's first RWD 2-motor hybrid transmission. (Aisin AW)



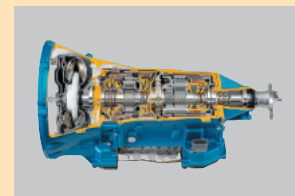
RWD 2-motor hybrid transmission

#### Enhancing Efficiency of Energy Transmission

##### Development of High Torque Capacity RWD 8-speed AT

Successful development of the world's first 8-speed AT has enabled enhanced gear selection efficiency, resulting in increased fuel performance and excellent acceleration. (Aisin AW)

\*Jointly developed with Toyota Motor Corporation



### Voice from the Developer

*As a manufacturer involved in the automobile industry, we have a keen sense of responsibility towards environmental conservation. That is why we are working to develop low-cost and environmentally friendly energy products that convert the abundant supply of solar energy into electricity instead of relying on fossil fuels.*



Energy Development  
Department, Aisin Seiki  
Atsushi Ito



Toyota Dream House PAPI, an experimental home proposing one possible future lifestyle (glass face)

### Reducing Weight and Size

#### Development of Compact and Lightweight ABS Products

The ABS "ADS-A2" modulator incorporates a motor drive system and control valves that have been modified, leading to a roughly 20% reduction in weight and size compared with the previous modulator. (ADVICS)



### R&D on Alternative Energy

#### Development of Residential Fuel Cell Cogeneration System

We are developing a residential fuel cell cogeneration system that is both highly energy efficient and effective in reducing CO<sub>2</sub> emissions. AISIN is participating with Toyota in the large-scale stationary fuel cell verification project promoted by the New Energy and Industrial Technology Development Organization (NEDO). By improving reliability and durability and reducing CO<sub>2</sub> in residential fuel cells, we aim to achieve rapid commercialization.

#### First Delivery of Residential Fuel Cell Cogeneration System

In October 2006, AISIN delivered its first residential fuel cell cogeneration system. A total of 24 units are currently installed in private residences throughout Aichi Prefecture, and verification tests will be conducted over the next two years.



### LCA

#### Promoting Utilization of LCA

In fiscal 2007, we developed the LCA calculation tool "AISIN LCA Template" targeting 34 AISIN representative products. It provides calculations on the environmental impact generated in every stage from extraction of materials to manufacturing, transport, usage and disposal. Using this tool, we are promoting a reduction in environmental load throughout a product's lifecycle, particularly in such energy related products as GHPs

### Switching from Substances of Environmental Concern

#### Phasing Out Hexavalent Chromium

Hexavalent chromium is a powerful oxidizing agent that has been used in metallic coatings. However, as this material has been found to have a severe impact on the environment, we have been proceeding with switching to other substances. By May 2007, we have completed the switch for domestically produced products. As for products manufactured at overseas production sites, the switchover also has been completed in Europe, while only a portion remains in China and Brazil.

# Production

## Basic Stance

Achieving Drastic Reductions in Environmental Load Emission Volume Per Unit of Sales in Our Global Production Activities

As we engage in the manufacturing activities of a wide range of products and parts such as automotive parts and life related products, fossil fuels, industrial water and chemicals are consumed. However, we are focusing our efforts on reducing substances of environmental concern and adhering to the regulations on wastewater and air pollution by establishing and following the Aisin Environmental Standard, our own stringent standard.

### Soil and Groundwater Contamination Countermeasures

#### Soil and Groundwater Contamination Countermeasures at the Nishio Plant

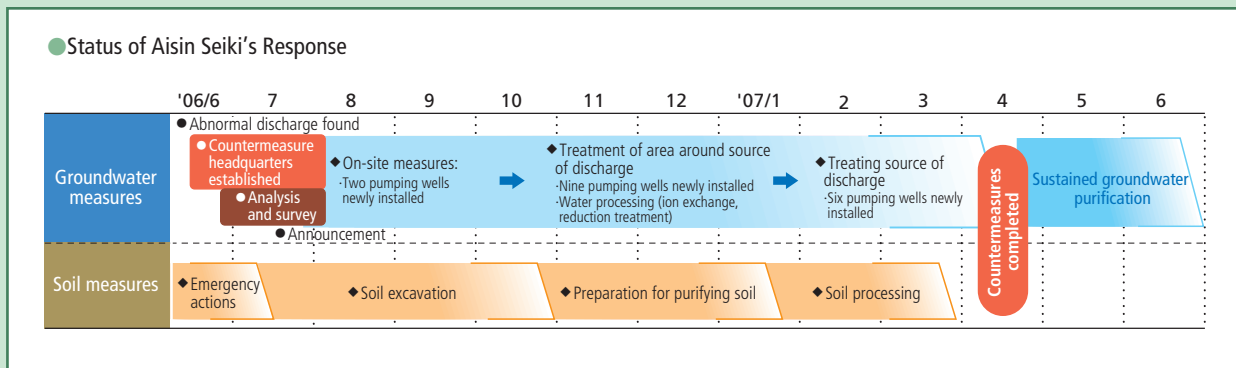
In June 2006, an abnormal discharge of water was found when renovating facilities at Aisin Seiki's Nishio Plant. When the soil was analyzed and surveyed, it was discovered that levels of hexavalent chromium and cyanide compounds in part of the soil exceeded environmental standards.

Aisin Seiki acted in accordance with guidance from Aichi Prefecture and other relevant authorities to swiftly implement purification measures after a more detailed survey of the site. Aisin Seiki also offered briefings and 2,000 liters of drinking water to local residents until safety could be confirmed. After a thorough survey, it was confirmed the well water was not contaminated.

Regarding our facilities, in addition to purification of the contaminated soil, we quickly took preventive measures such as increasing the number of pumping wells in order to reinforce purification treatment capabilities for contaminated groundwater.



Nishio Plant's water treatment equipment



◆ For further details on results of fiscal 2007 activities, please refer to the CSR section on the AISIN Global Site: [CSR > Environment > Data](#)

### Improving Fuel Economy and Reducing Fuel Consumption

#### Raising Efficiency by Deploying Eco Tires and Low-floor Trucks

As a result of using "eco tires" on 22 trucks, mostly on long-haul routes, annual fuel consumption was reduced by approximately 96,000 liters. Additionally, we deployed 15-ton low-floor trucks to raise efficiency of transport vehicles. By increasing the load carried per trip, we in turn reduced the number of trips made, thereby cutting fuel consumption by approximately 89,000 liters. [\(Hekinan Unsou\)](#)

In other efforts to achieve improved fuel economy, we are working to promote ecological driving by installing a system in trucks that sounds a warning whenever the number of engine revolutions and gas pedal compressions is exceeded. [\(Sanetsu Unyu\)](#)





Voice from the Person in Charge

While we caused worry among local residents, by April 2007 we were able to complete the implementation of countermeasures that included excavating contaminated soil, setting up 17 pumping wells and an additional 10 observation wells, as well as installing hexavalent chromium reduction devices. We will remain vigilant by continuing water treatment as well as periodic observations of groundwater to ensure that no contaminated water is leaked outside of our site.



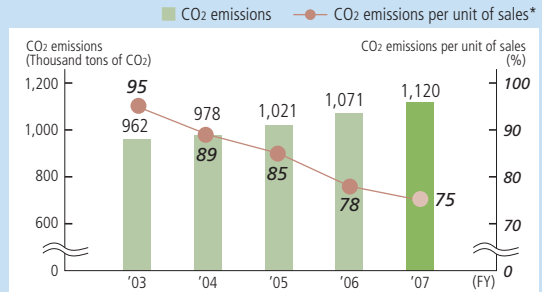
Environment Department  
Tatsuya Oji

Reducing CO<sub>2</sub> Emissions

■ Addressing Global Warming

We are actively working to reduce CO<sub>2</sub> emissions chiefly through production activities by minimizing energy consumption and eliminating loss through the introduction of a more simplified and streamlined production line.

● CO<sub>2</sub> Emission Volume per Unit of Sales (Consolidated Japanese Subsidiaries)

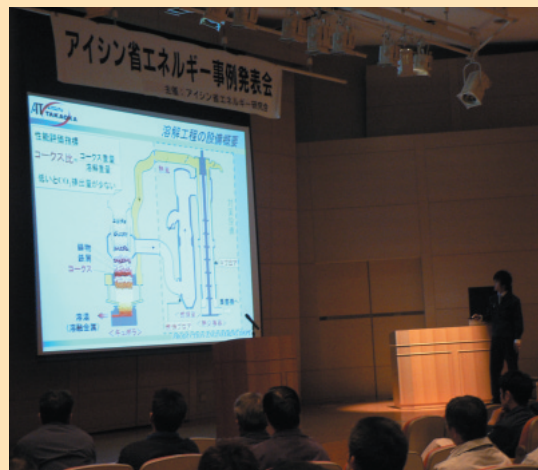


\* Assumed level was 100 in fiscal 1991.

Energy Conservation

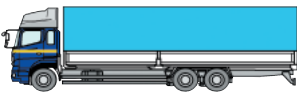
■ AISIN Group Energy Conservation Presentation

In February 2007, the AISIN Group held its annual AISIN Group Energy Conservation Presentation, which was attended by Group employees and approximately 200 people involved in environmental activities from both within and outside the company. Outstanding Group case studies and "Points of Promoting Energy Conservation" were presented to raise the consciousness of energy conservation among respective Group companies.



Former (15-ton) load capacity

30m<sup>2</sup>



New (15-ton low-floor truck) load capacity

40m<sup>2</sup>



The low-floor specifications give each truck **1.3 times** as much load capacity

# Production

## Water Recycling

### ■ Challenging to Achieve a 90% Recycling Rate Introducing a System to Purify and Recycle Industrial Effluents

One of AISIN's basic concepts is the "pursuit of zero emissions" in aiming to operate ecological plants. Aisin Hokkaido installed the latest equipment to purify plant wastewater and recycle 90% of it as industrial water. This represents Japan's first die cast production plant to make such efforts. Among the benefits that can be anticipated from this equipment are: (1) reducing the amount of wastewater to enable a reduction of environmental load; and (2) by purifying plant wastewater to a quality that exceeds that of industrial water, accumulation of scale inside pipes is prevented, which also leads to energy savings, as less power is required without pressure loss arising from pipe blockage.

We are working towards the goal of 90% recycling of plant wastewater by managing the operation of an economical and sustainable system.



Team Leader Mitsuhiro Seshita (left), making final confirmation with the person responsible for wastewater treatment



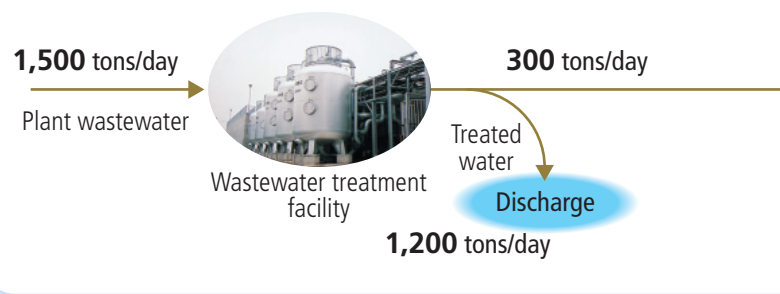
Aisin Hokkaido head office



Ion exchange resin tower

### ● Kariya Plant Wastewater Treatment Facility

To promote the introduction of wastewater treatment facilities, AISIN installed a new circulating system that meets its stringent environmental standards and employs the treated water in the plant's cogeneration system (20% reduction).



◆ For further details on results of fiscal 2007 activities, please refer to the CSR section on the AISIN Global Site: [CSR > Environment > Data](#)

### Recycling

#### ■ Automatic Packaging of Waste

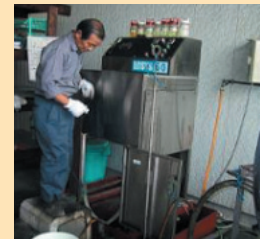
The minute particles of the iron powder generated from the manufacturing process pose a danger to workers if inhaled. We therefore automated the packaging process to eliminate this threat, which in turn can be sold as a raw material. (Aisin AI)



### Recycling

#### ■ Recycling of Cooking Oil

We are proceeding with the recycling of used cooking oil from our company cafeteria. In fiscal 2007, we recycled used cooking oil to achieve an annual production of 4,600 liters of biodiesel. We are aiming to produce biodiesel for other Group companies as well. (Sinsan)

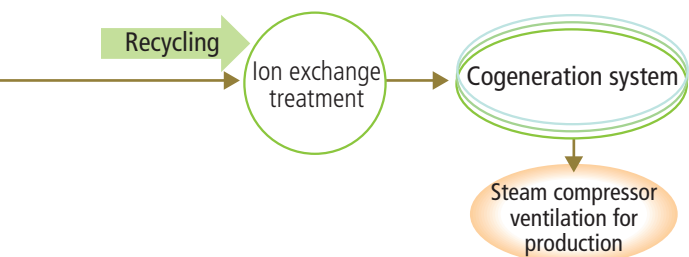


Voice from the Person in Charge

*Aiming to be an environmental top player, AISIN is working to more effectively utilize its water resources. Our efforts in wastewater treatment are particularly noteworthy in that we have realized 20% recycling for cogeneration systems at the Kariya Plant. Currently, we are taking active measures, with Aisin Hokkaido installing the latest equipment directed toward realizing a recycling rate of 90%*



Environment Department  
Mutsuhiro Seshita



● Reducing Substances of Environmental Concern (PRTR and VOC substances)

We are further accelerating activities for reducing and minimizing the use of substances of environmental concern. Recently, AISIN has achieved a reduction in PRTR\*1 substances and VOC\*2 substances by improving coating efficiency for automobile body parts as well as switching from toluene and xylene to alternatives for use as solvents on electronic components. We will expand our targets to other similar processes to further reduce the use of such substances.

\*1 PRTR: Pollutant Release and Transfer Register  
A system for reporting the discharge and flow volume of chemical substances legally recognized as having an environmental impact.  
\*2 VOC : Volatile Organic Compounds  
VOC chiefly refers to manmade synthetic substances that can easily be released into the atmosphere at room temperature and under normal pressure. Toluene and xylene are representative VOC substances, although there are over 100 other substances within this category.

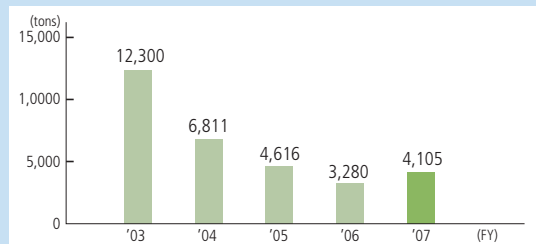
Reduction of Waste Materials

● Waste Reduction Activities

-Internally Treating Waste

In fiscal 1998, Aisin Seiki defined the reduction of industrial waste levels by 95% as "zero waste." Since then, the Company has succeeded in achieving zero landfill waste on its business premises in fiscal 2002 and a 99% waste reduction in fiscal 2006. From fiscal 2007, in addition to industrial waste, we are working for major reductions in all emissions, including valued property.

● Industrial Waste Disposal through Outsourcing (Consolidated Japanese Subsidiaries)

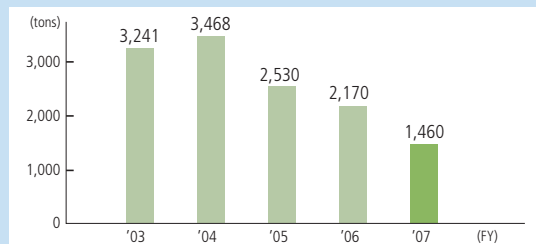


\* Treated volume increased in fiscal 2007 from fiscal 2006 as the scope of waste for calculation was expanded.



AISIN Eco Center for recycling industrial waste

● Volume of VOC Substances (Consolidated Japanese Subsidiaries)



\* In the Third Environmental Action Plan established in fiscal 2002, which targeted a reduction in PRTR substances by 30% versus fiscal 1999 levels and toluene and xylene by 40% versus fiscal 1999 levels, we succeeded in reduction of these substances far exceeding these targets. Since fiscal 2007, we have been undertaking the Fourth Environmental Management Plan to further reduce PRTR and VOC substances.

● PCB\*1 Treatment Completed on December 1, 2006

Following resumption of PCB waste treatment operations curtailed as a result of JESCO's\*2 accidental leakage in November 2005, the treatment of the remaining 45 units of condensers containing PCBs at AISIN's Nishio, Anjo and Shinkawa plants was fully completed as of December 1, 2006.

1\* PCB: polychlorinated biphenyl  
2\* JESCO: Japan Environmental Safety Corporation, a company engaged in PCB waste treatment

# Environmental Communication

## Basic Stance

Raising Environmental Consciousness among Employees Worldwide and Further Promoting Nature and Environmental Conservation Activities

We work to promote more dynamic environmental communication through active environmental information disclosure, environmental exhibits at various events, local town hall-style meetings, environmental seminars for local children and exchanges with local residents.

### AISIN Environmental Education Program

AISIN is developing an environmental education program for elementary school pupils under the supervision of Associate Professor Masao Takano of Nagoya University Graduate School of Environmental Studies. From learning environmental awareness through lectures to hands-on learning experience amid nature, children can have fun while learning about the environment. The content of this program has been geared toward practical application for future use in their daily lives.

#### Environmental Program Themes



Schools select one of the four themes of the environmental program—forest, waterfront, daily living or industry—and conduct focused environmental learning for one year. Children gain an even deeper understanding of the environment through this program.

#### Environmental Education Program Flow



##### Classroom Lectures

Lectures are offered on selected themes in classrooms or at schools.



##### Experience

Children go outside the classroom to see with their own eyes, feel and use all five senses to learn about the environment at actual on-site locations.



#### Tree Thinning Activities

As a part of our environmental education program, tree thinning allows children to go into the field and observe the condition of artificial forests. This activity deepens their understanding of living forest organisms learned about in lectures. On-site, individuals involved in forestry are on hand to assist the children.



## Eco Talk Session

In February 2007, AISIN held an "Eco Talk Session" at Nishiki-machi Elementary School in Anjo City and Heisei Elementary School in Kariya City to give presentations on the results of environmental learning. This event represented the final component of the curriculum of AISIN's environmental education program, an initiative begun approximately one year prior in collaboration with local elementary schools with the aim of raising environmental consciousness among children.

Approximately 700 people attended the Eco Talk Session, including parents, children and educators from both schools. The children gave presentations on the achievements and commented on the lectures, hands-on environmental experiences and eco-friendly activities undertaken at home. The conclusion of the session featured an appearance by Morizo and Kikkoro, the main characters representing World Expo 2005, who received a future-oriented "eco declaration" from the children.



## Sympathy Workshop

Card game players assume roles as "humans" or "animals." This game allows players to understand that both sides share limited resources as well as learn how to sympathize with others.



## Eco Action

Upon learning about a corporation's environmental activities, children put ecological actions into practice at schools and at home to gain an ecological perspective.



## Eco Talk Session

Children give presentations on what they have learned. Parents and local residents gather to share in the importance of environmental conservation and eco-friendly lifestyles.



## Publishing of Kids Eco Newspaper

In April 2007, we distributed the *Kids Eco Newspaper*, which details AISIN's environmental education program and activities from the previous year, to all of the approximately 25,000 schoolchildren in the cities of Kariya and Anjo. The paper is aimed at fostering an understanding of the activities of kids of the same age, and spreading such activities throughout the region. We intend to expand this newspaper to Handa and Nishio cities, and subsequently to regions where all Group companies maintain a presence.



## Voice from a Promoter



Volunteer Promoting &  
Health Service Center  
Hiroshi Sato

*AISIN's environmental program offers a new type of environmental learning through "lectures" and "experience" in an integrated format. We've developed a series of courses that work to instill a deep understanding of the environment among children. In 2007, we are further expanding the program in the hopes of reaching all children who have the desire to learn.*

# Environmental Communication

## Building the Handa Plant Biotope

We are building a 2,800m<sup>2</sup> biotope on the premises of Aisin Seiki's Handa Plant in Aichi Prefecture. From February 2007, together with local elementary school pupils and members of civic organizations, a footpath, aquatic plants and other environmental improvements are being put in place as planned. Almost all of the materials used in the biotope are recycled, including discarded bricks, lumber cut from tree thinning and even water discharged from the plant.

With pheasants laying eggs and huge numbers of water striders, the biotope has gradually been transformed into a home for living organisms. It is also becoming a venue for environmental learning as local elementary students visit to observe nature. We aim to have a grand opening for the biotope, which is being built entirely by hand, in September 2007.



Biotope

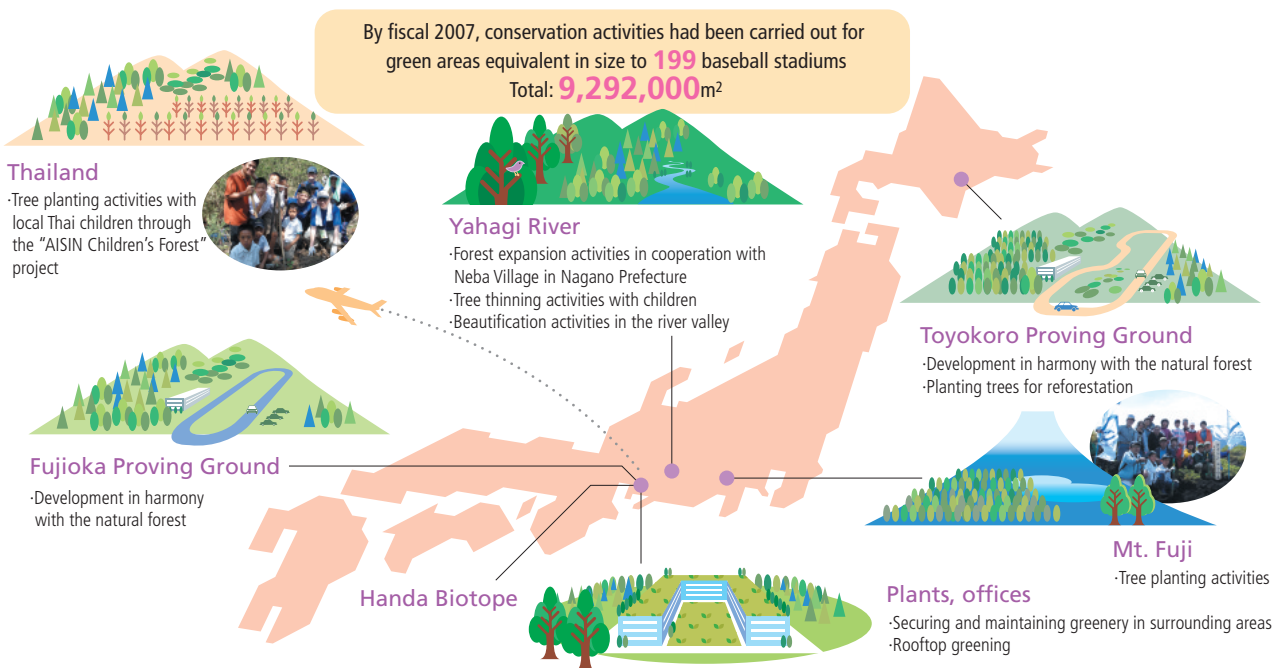


In June 2007, 133 fourth graders from Handa City's Kamezaki Elementary School toured the AISIN Eco Center and took part in creating the biotope. They used recycled bricks to build an Eco Road, planted trees and released fish, while also enjoying digging up potatoes.



Elementary school pupils building an Eco Road with recycled bricks

## Promoting Tree Planting for Conservation of Green Areas



### Voice from a Promoter

*In July 2005, we set up our eco project that involved the creation of woodlands and ecological forests. In July 2007, we had largely completed the final remaining activity, the development of a biotope. I would definitely like to see these activities serve to foster communication with the local communities.*



Environment Department  
Shinji Nobuhara

### Exhibiting at Eco-Products 2006

Aisin Seiki displayed and introduced its dye-sensitized solar cells, fuel cells, fuel cell cogeneration systems and other clean energy devices at Eco-Products 2006, Japan's largest environmental trade show featuring exhibits by 550 companies held at Tokyo Big Sight in December 2006. As a means of publicizing our environmental efforts, we also conducted public relations activities such as an eco quiz aimed at rapidly expanding numbers of elementary, junior and high school students as well as visitors in general. At the 2006 event, the number of visitors to the AISIN booth almost doubled that of the previous year.



### Number of Visitors at Eco-Products 2006

	2004	2005	2006
Total visitors (persons)	124,000	140,000	152,000
AISIN booth visitors (persons)	1,350	1,580	3,510

### Outside Opinion on AISIN REPORT 2007



Mr. Seiji Mukai

Representative Officer, Green Energy NPO Promotional Organization

Representative Officer, Japan Carbon & Technology Exchange

Part-time lecturer of Nihon Fukushi University, Economics Department (Environmental Management)

Environmental Councilor (Business Department)

It had been a year since I last visited the Handa Plant's biotope and eco farm, but what was then a 2,800m<sup>2</sup> field adjacent to the AISIN Eco Center on the east side of the plant has now been transformed into a magnificent biotope. This is probably Japan's first full-scale biotope created by a company. Three years have gone by since I first heard about this concept, and the biotope has been gradually but steadily created, quite literally by hand, mainly by staff from the Environment Department. This biotope truly is the crystallization of a tremendous amount of hard work and knowledge.

The biotope displays an amazingly comprehensive level of consideration to the environment. An example of this is the biotope's design: plant wastewater is discharged after being purified using water treatment equipment, which is further filtered through net bags of brick debris so that the quality of the water in the stream is clean enough to provide a habitat for killifish. Cut trees thinned from Neba Village are used to make bridges, chairs and tables. The biotope's Eco Road has been paved with used pallets and recycled bricks. AISIN employees brought unneeded plants and planted them by hand in the biotope. Used concrete has been used to serve as garden rocks. I am deeply impressed that this garden is heading for completion without investing a large amount of capital. I believe this biotope can serve as a model for a future recycling society, and I really look forward to visiting again a year later.

Nutrient-rich soil for the eco farm, where potatoes and a variety of vegetables are thriving, was developed thanks to fully fermented compost created from the annual 276 tons of leftover foods recovered from Group plants. Being interested in cultivating chemical-free vegetables myself, I tried some of this compost in my own garden, and it seems to be good for growing vegetables.

During a lull in the rainy season on a late Sunday afternoon, I attended the opening ceremony of "Hotaru no Yube," an event to celebrate fireflies at the biotope. Employees and their families, children from social welfare institutions and residents from Neba Village involved in forest conservation all joined in to spend an enjoyable time together.

I have heard that AISIN's policy is that this biotope should serve as a future site for environmental education of local elementary school children and fostering communication among the region's residents. This kind of social activity is essential for companies to coexist within local communities as well as have a necessary existence for society.

I'd like to extend my fullest congratulations on the occasion of the opening of this biotope, a fitting symbol of AISIN, which is especially recognized as a passionate environment-conscious company among the companies of the Toyota Group.

This biotope will serve as a symbol of AISIN's environmental activities, and in turn support its aim to be a top environmental player in the automotive industry as well as throughout Japanese industry. It is my sincere hope that AISIN will steadily move forward with ingenuity and passion.

## Working with Various Stakeholders

AISIN's fundamental management stance is to actively fulfill its social responsibilities in order to contribute to the development of a sustainable society based on the Corporate Principles of "enhanced value creation," "continuous global growth," "harmony with society and nature" and "individual creativity and initiative."

Achieving sustainable expansion in an international society requires business development that accounts for harmony with society and local communities as well as the maintaining of healthy relationships with stakeholders. AISIN is expanding its activities with consideration to our various stakeholders, carefully listening to their opinions, engaging in dialogue, making improvements and undertaking earnest efforts to resolve any problems that may arise.



\* Stakeholders: All parties with an interest in the Company. In addition to employees, consumers and shareholders, this also includes local communities.



# Customer Relations

Based on "Quality First," AISIN makes every possible effort to produce appealing products that satisfy our customers. As a specific measure, from fiscal 2007 we established the A-CF (AISIN Customer First) Activity Promotion Committee, chaired by the president, to promote activities that raise quality in every field from design and production to marketing. AISIN is moving forward step by step with improvements while listening directly to the voices of persons on site and in the field who actually use the products we make.

We obtained ISO 9000/QS 9000 certification in 1997. Moreover, we constructed a global quality control system for all consolidated production subsidiaries and acquired ISO/TS 16949 certification in 2003 ahead of competitors.

## Quality Assurance in the Processes of Development and Design

In the development and design stage, we conduct investigations into planning and design, where necessary, based on the quality system. In order to ensure design quality, we conduct a full range of



Sled-testing equipment that conforms to the latest regulations recreates both low- and high-speed crashes.

reliability tests, and AISIN carries out testing and evaluation of both components and entire vehicles, including under actual conditions in which they will be used.



Radio anechoic chamber evaluates the influence of electromagnetic waves ranging from low to high frequency zones on electronic devices.

## Quality Assurance in the Production Process

The preliminary production process examines the effectiveness of process planning and its results. In mass production, after using initial testing to confirm that we can assure 100% product quality, we maintain and manage the product manufacturing process using the Toyota Production System that includes its "just in time system" and automation, and also manage processes using different quality control methods.

## Recognition outside the Company (Fiscal 2007)

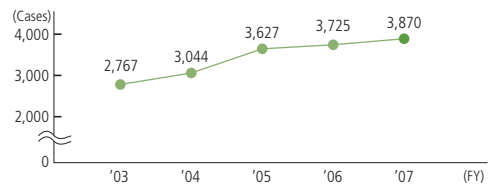
AISIN products are delivered to automobile manufacturers throughout the world to support their products' basic performance. Every year, each of these manufacturers honors outstanding suppliers with awards, with AISIN being recognized by numerous customers.

## Reflecting Customer Feedback

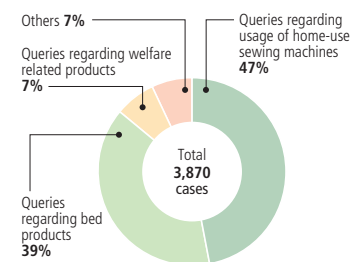
Opinions, requests and comments received from customers are fed back to relevant officers or departments under our stringent personal information management and incorporated into future product improvements or product development. Staff members at the Customer Support Department are trained to respond swiftly, accurately and attentively from the customer's point of view. In enhancing the level of responsiveness to customers, we have digitized such vital information as product brochures and frequently asked questions into a database to enable prompt searches and quick utilization. In addition, we are proactively engaged in the training of Customer Support Department staff, including providing support for obtaining qualification as nationally certified consumer lifestyle advisors and attending a variety of seminars so that personnel can respond with an understanding of the customer's perspective.

In the welfare equipment segment, product developers obtain home-helper certification and conduct field studies to acquire hands-on knowledge to incorporate these experiences into product development. We also strive to integrate the results of evaluations from monitoring research and feedback from welfare equipment exhibits into future product improvements.

## Number of Cases Handled by Customer Support Department



## Types of Support (Fiscal 2007)



Customer Support Department

Name of Award	Presenter	Recipient
Excellent Supplier Award 2006	General Motors Corporation	Aisin Mfg. Illinois, LLC
Excellent Supplier Award	Toyota Industrial Equipment Mfg., Inc.	Aisin Drivetrain, Inc.
BT-SQ Special Award	Toyota Motor Engineering & Manufacturing North America, Inc.	Aisin Automotive Casting, LLC
Excellent Supplier in Delivery Observance and Quality Categories	Toyota Industries Mercosur Ltda.	Aisin do Brazil Com. e Ind Ltda.
Quality Supplier Award	Nissan Europe S.A.S.	Aisin Europe S.A.
Quality Award	Toyota Motor Manufacturing Turkey, Inc.	Aisin Otomotiv Parcalari Sanayi ve Ticaret A.S.
Quality Achievement Award	Tianjin FAW Toyota Motor Co., Ltd.	Tianjin Aisin Automobile Parts Co., Ltd.
Excellent Quality Management, Hino Automotive Suppliers Convention	Hino Motors, Ltd.	ADVICS Co., Ltd.
Excellent Quality Award	Toyota Motor Corporation, Housing Group	Aisin Seiki Co., Ltd.

## Employee Relations

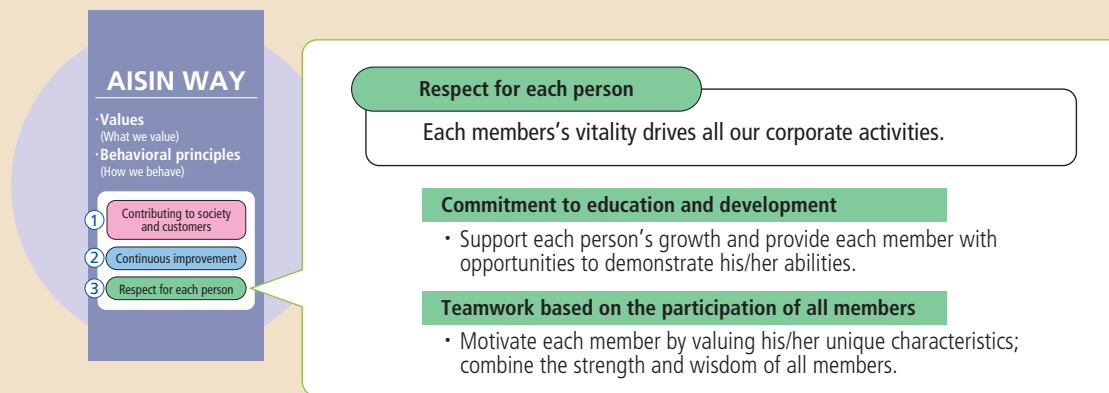
## Human Resources Training

Based on the fundamental philosophy of respecting people with unlimited potential, and of supporting those seeking to fulfill that potential, AISIN implements a variety of measures and improvements to promote a better working environment where all employees can enjoy their work.

### ■ Establishment of the AISIN Way

In April 2007, we formulated and distributed to all employees the "AISIN Way," which prescribes the work "rationale" and "methods" unique to AISIN that have supported its growth up to now and which are to be shared, passed down and advanced by AISIN employees throughout the world.

"Respect for each person" is one of the three main principles of the AISIN Way. This is based upon the idea that each employee's vitality drives all our corporate activities, and is also the philosophy upon which we base our relationship of mutual trust with employees. AISIN's long-term vision is intended to offer employees both equal and continued professional training and guidance, providing opportunities for growth and performance.



### ■ Completion of HR Development Center

In March 2007, AISIN established the HR Development Center on the head office premises to plan and efficiently promote the development of personnel who can take active roles globally. In addition to the training offered by the Aisin Technical Academy\*, where employees are trained to become future leaders of *mono-zukuri* at production sites, the HR Development Center systematically offers training programs common to respective companies within the AISIN Group. Curriculum includes courses according to employment rank—from new employees to management-level personnel—as well as standardized management training in skills, administrative and technical related functions. In response to increasing requests from overseas subsidiaries, we are concentrating on training personnel who can make a contribution overseas through such measures as broadening the training curriculum and training supervisors who can operate on a global stage.

\* Aisin Technical Academy

Established in April 1977, the Aisin Technical Academy is an in-house boarding school targeting graduates of technical high schools. Recognized by Aichi Prefecture as a vocational school, the academy offers one-year courses for acquiring practical skills and knowledge. Organizationally, it is treated as a department of the Aisin Seiki HR Development Center.



HR Development Center



Practical training at the Aisin Technical Academy

## ■ Mono-zukuri

Fostering people is at the core of *mono-zukuri*. Respective plants use *mono-zukuri* classes and technical training programs to transfer skills so that the technologies and skills acquired by predecessors can be passed on to the next generation. We provide an environment where experienced senior associates and instructors provide training in skills at all levels that are necessary for *mono-zukuri*.

### ● Taking Up the Challenge at the National Skills Competition

In October 2006, Mr. Takanori Hojo of the Aisin Technical Academy was honored with a gold medal at the 44th National Skills Competition, the first such achievement for Aisin Seiki (award presented by Japan's Ministry of Health, Labour and Welfare).

### ● Originality and Ingenuity Award

The Originality and Ingenuity Award is bestowed upon persons who have contributed to enhancing technology in the workplace through creative ideas. In fiscal 2007, the Minister of Education, Culture, Sports, Science and Technology selected a record 193 employees from 15 AISIN Group companies for this honor. Additionally, the AISIN Group represented approximately 60% of the recipients from Aichi Prefecture, significantly contributing to making Aichi the top-ranked prefecture in Japan.



Gold medal recipient Takanori Hojo

## Employer-Employee Relationship

Improving employees' lifestyles and the prosperity of the company are inextricably linked. The labor agreement concluded in 1974 confirmed that problems between management and employees are to be resolved through discussions based on mutual understanding and trust, and this works to maintain a healthy employer-employee relationship.

Basic labor conditions, such as wages and working hours, are defined through discussions between the five AISIN Group companies (Aisin Seiki, Aisin Takaoka, Aisin Chemical, Aisin AW and Aisin AI) and AISIN's labor union, which comprises members working for these companies.

### ● Life Plan Training Held by Employers and Employees

The life plan training sessions are held jointly by the employer and employees, and enable trainees to look back over their life and think about their futures. Annual training sessions are held every June for 42-year-old employees in their most productive years and every November for 57-year-old employees who are nearing retirement. In 2006, a total of 504 employees took part in these sessions.



### ● All AISIN Policy System Forum

Seven companies in the AISIN Group and labor unions gather biannually in spring and fall for the All AISIN Policy System Forum, which has been held since 1991 and is aimed at tackling common issues of companies and government as well as to take up themes of great interest to society and local communities. In 2006, approximately 400 people participated and debated on the overall concept of community amid the changing social environment, including administrative and fiscal reforms as well as the dwindling birthrate and aging population.





# Employee Relations

## Respecting Diversity

Based on the rationale that respecting the creativity and initiative of different individuals is the motivating force behind raising corporate vitality, AISIN is focusing its efforts on employing a diversified range of human resources.

We also offer support for such needs as balancing work and child rearing, as well as employment and technical training for persons with disabilities, in creating a workplace environment where each employee can continue working.

### ■ Employing a Diverse Range of Human Resources

Currently, over half of the companies in the AISIN Group are overseas-based subsidiaries, and given the progression of globalization among our business operations, the number of employees who are citizens of countries other than Japan continues to increase. Aisin Seiki currently employs approximately 60 persons of foreign nationality on a full-time basis. In addition, from among the 240 full-time employees promoted from temporary employee status in fiscal 2007, 12 persons were foreign nationals.



### ■ Support for Balancing Work and Child Rearing

AISIN has taken action from early on in creating a comfortable work environment. In endeavoring to create a workplace environment where employees can continue to work while raising children as well as fully realizing their talents, we always strive to give priority consideration toward instituting measures that employees need most at any given time, including implementing a reduced work hour system and extending the scope of the childcare leave system. Upon enactment of the "Next Generation Education and Support Promotion Act" in April 2005, we extended the reduced work hour system for parents with children up until elementary school age in April 2006, which led to a 1.8 times increase in enrollment versus the previous fiscal year. In this way, we will continue to proactively engage in creating an environment where our employees balance both work and child rearing.

#### ● Establishment of "AI Mommy's Support" Daycare Center

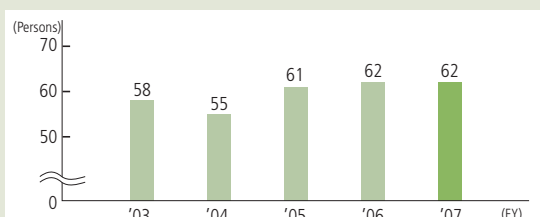
AI Mommy's Support, an in-house daycare center for the children of AISIN employees, is being built on the premises of the head office, and is scheduled to open from October 2007. The daycare center will be operated in a manner that fully reflects employee needs such as being open for business on national holidays in accordance with the Company calendar and setting open hours from early in the morning to extended overtime.



#### ◆ Work/Home Support for Raising Children

- Prenatal and postnatal health care services
- Prenatal and postnatal childcare leave (six weeks before birth and eight weeks after birth)
- Childcare leave available during the first year of a child's life (to March 31)
- Reduced work hours for raising children: Available until the child attends elementary school
- "Anshin (peace of mind)" leave (carryover of remaining portion of paid leave up to 20 days)
- Nursing leave (up to 5 days per year): Until child attends elementary school
- Limit on overtime, holiday and nighttime work
- Supplemental system for childcare expenses

#### ● Number of Childcare Leave Users



#### Feedback from Childcare Leave Users

*I took advantage of the childcare leave system for the first time when our third child was born. During the leave, my wife and I each handled different responsibilities in which I took care of the kids while my wife did the housework. My one-month leave was truly meaningful. I was able to see the baby grow day by day with my own eyes, as well as spend a great deal of quality time with my two older kids. Taking this leave gave me the opportunity to realize how hard it is to take care of three kids and also do the housework alone. Now, I try to work as efficiently as possible in order to return home early to help my wife, who is pleased, as well as glad that I took childcare leave. Although it was a busy time at work, I'm really grateful to my supervisor and coworkers for so readily allowing me to take this childcare leave.*



Aisin Seiki Kinuura Plant  
Takuya Mizukami

## ■ Employment and Support for the Development of People with Disabilities

Aisin Seiki aims for a workplace environment where all employees, with or without disabilities, can work with a sense of vitality based on the principle of "Mutual Respect." The employment rate of persons with disabilities at Aisin Seiki for fiscal 2007 was over 1.84%, exceeding the legally mandated quota of 1.80%.

### ● Challenging the Abilympics

Since fiscal 2006, we select competitors to appear in the prefectural and national Abilympics\*. In fiscal 2007, Ms. Emi Itakura of the Trial Manufacturing Plant was awarded a gold medal in the "Machine CAD" category (award from the Ministry of Health, Labour and Welfare).

\* Abilympics: A combination of the words "Olympics" and "ability," this is a nickname for the National Skills Competition.

### ● Increasing Life Counseling Activities

Since 2003, a total of nine plants regularly hold meetings for providing persons with disabilities with advice and recommendations on their job at each plant and in their daily life. In order to raise the skills of welfare advisors and supervisors, we carry out a workshop for supporting employees with disabilities.



Gold medal recipient Emi Itakura

## Safety and Health

The "promotion of safety and health activities" and "creating a comfortable working environment" are two key thrusts being undertaken to realize a safe and healthy working environment.

### ■ Safety and Health Activities

At AISIN, every employee works on improving levels of safety in the workplace under the leadership of managers and supervisors, with the aim of reducing risks, as well as complying with related laws and regulations. As a result, the rate of occupational accidents (the rate of work injury-related time off) has been considerably lower than the industry average in Japan.

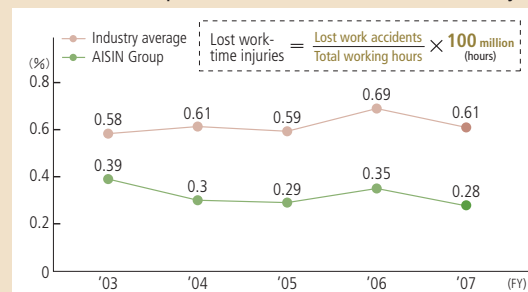
### ■ Creating a Comfortable Work Climate

In order to create a work climate in which employees feel comfortable and at ease, AISIN is providing a number of training programs targeting managers and supervisors. These include training in managing work hours as well as training in the prevention of sexual and power harassment.

#### ◆ Measures to Promote Mental Health

In promoting mental health, we are constantly striving to create an environment in which employees can readily seek help for any troubles or concerns. Along with establishing a Mental Health Counseling Office staffed by counseling specialists, AISIN also provides training in listening skills to all employees above the rank of section leader so that they will be better able to listen to their subordinates. For more than 20 years, training has been provided to more than 2,500 people in total as part of our efforts toward prevention or the early detection of any mental health issues. Further, AISIN implements periodic mental health surveys on an organizational level, using the results to conduct various activities directed toward improving the workplace.

### ● Rates of Occupational Accidents (Lost Work-time Injuries)



Listener training for employees above the rank of section leader



## Community Involvement (Corporate Citizenship Activities)

In order to be a company that is caring toward people, society and the earth, we are voluntarily conducting corporate citizenship activities closely tied to local communities under the slogan of "Be With (Living Harmoniously Together)," to inspire each employee to fulfill his or her social responsibility as a respected corporate citizen.

Our corporate citizenship activities comprise three important areas: community building and development; protection of nature and the environment; and fostering of youth. We are carrying out a broad range of activities, and have made significant achievements in each of these areas. Our aim is to be a good corporate citizen.



### ■ Community Building and Development

AISIN listens to residents of local communities and actively works hand-in-hand with them to take actions toward enriching their lifestyles.



#### ● All AISIN NPO Activity Support Fund

The All AISIN NPO Activity Support Fund effectively utilizes profits from the annual All Aisin Charity Concerts in order to actively support regional organizations such as non-profit organizations (NPOs). In fiscal 2007, the ninth year of the activities, 19 institutions received funds totaling ¥3.1 million.



#### ● Sawayaka Fureai Seminars

From 1995, AISIN has been collaborating with social welfare councils and other community organizations to hold seminars that encourage attendees to participate in volunteer and community activities. In fiscal 2007, we provided seminars in 10 cities with 639 people attending to learn about 11 topics, including "picture books translated into Braille," "reading," "counseling," "disaster volunteers" and "international exchange."

## Protection of Nature and the Environment

In aiming for a sustainable recycling society, AISIN actively promotes forest creation initiatives through citizen participation in such activities as tree planting and forest maintenance both in Japan and overseas.



### ● "AISIN Children's Forest" Project

In the northern part of Thailand, where deforestation continues, AISIN employees and local Thai children team up to plant trees. Over a five-year period beginning in fiscal 2005, the project aims to plant 60,000 trees encompassing an area of approximately 45 hectares.

In fiscal 2007, nine employees from Aisin Seiki and 10 employees from Thailand-based Siam Aisin Co., Ltd. volunteered to take part in activities involving a total of 1,000 people in northern Thailand's Chiang Mai and Lamphun provinces. From May 2007, Aisin Takaoka's subsidiary in Thailand also participated, demonstrating a unified effort by the AISIN Group in undertaking environmental conservation activities.



A thriving tree planted three years ago

## Fostering of Youth

AISIN proactively implements an experience-based learning program for children on topics ranging from the environment to *mono-zukuri*. Designed to instill the importance of nature and the joy of creating, the program encourages children to think for themselves and take initiative.



### ● Aisin *Mono-zukuri Hiroba*

While children are said to be drifting away from science, the Aisin *Mono-zukuri Hiroba* ("Making Things Plaza") is held to help children learn about and understand the fun of science by experiencing and experimenting with the fundamental principles of science. In fiscal 2007, on the fifth occasion of this activity, 51 children participated in a session themed "Let's Learn About the Principles of Balance," where they built wind mobiles to learn not only about hanging weight but also the principles of how distance from a fulcrum point changes equilibrium.

## Overseas Base Activities

We are engaged in a wide range of activities rooted in each of the 19 countries where the AISIN Group has a presence.



### ● Donation Activities Contribute to the Community

As one way of contributing to the community, U.S.-based AISIN World Corp. of America (AWA) holds an annual toy drive in which employees visit local fire and police stations and hospitals to distribute toys to children who have suffered as a result of fire or accidents, or who are fighting illness. In fiscal 2007, AWA collected numerous stuffed toys, miniature cars and even bicycles. These items were donated by the company in the spirit of encouraging kids who face challenges.

# Major Group Companies

## AISIN SEIKI CO., LTD.



Yasuhito Yamauchi, President

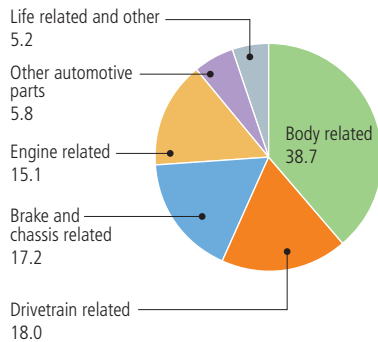
**Establishment** : June 1, 1949  
**Capital** : ¥45,049 million (as of March 31, 2007)  
**Representative** : Yasuhito Yamauchi, President  
**Address** : 2-1, Asahi-machi, Kariya, Aichi, 448-8650, JAPAN  
 Tel. +81-566-24-8441  
**Website** : <http://www.aisin.com>  
**Employees** : Consolidated: 66,300; non-consolidated: 11,270 (as of March 31, 2007)  
**Businesses** : Production and sales of automotive parts, life related products (sewing machines, beds, GHPs) and welfare related products

### Widespread Business Expansion Based on "Quality First"

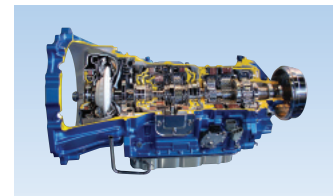
As the central hub of the AISIN Group's 154 consolidated companies, Aisin Seiki pursues business expansion chiefly through its mainstay Automotive Parts and Systems Business. This business covers such diverse fields as drivetrain related, brake and chassis related, body related, engine related and information related products segments. Aisin Seiki capitalizes on its accumulated automobile related expertise to offer products in such diverse fields as life, energy and welfare. In this way, Aisin Seiki endeavors to offer attractive products and services with truly high quality and cost competitiveness based on "Quality First."

### Sales Breakdown by Product (%)

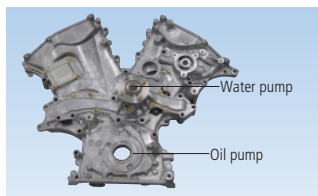
Fiscal 2007 (Year ended March 31, 2007)



Power sliding door system



6-speed AT for light-duty compact commercial vehicles

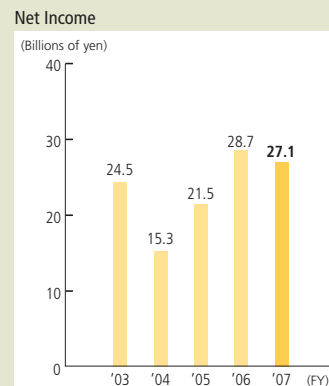
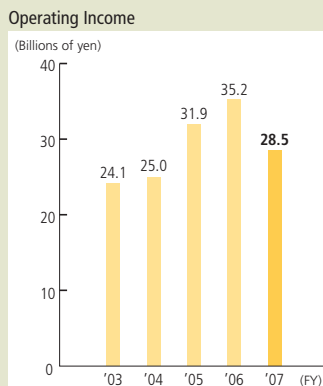
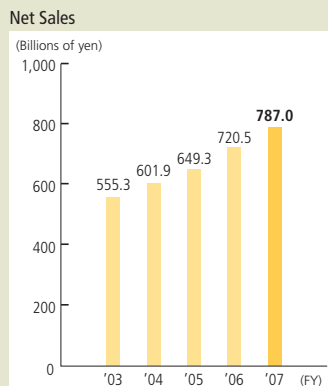


Engine front module



Parking assist system

### DATA





# AISIN TAKAOKA CO., LTD.



Toshiyuki Ishikawa, President

**Establishment** : March 8, 1960  
**Capital** : ¥5,396 million (as of March 31, 2007)  
**Representative** : Toshiyuki Ishikawa, President  
**Address** : 1 Tennoh, Takaokashin-machi, Toyota, Aichi, 473-8501, JAPAN  
 Tel. +81-565-54-1123  
**Website** : <http://www.at-takaoka.co.jp>  
**Employees** : 2,900 (as of March 31, 2007)  
**Businesses** : Casting/machining and metal forming of automotive parts as well as production and sales of audio products and soundproofing materials

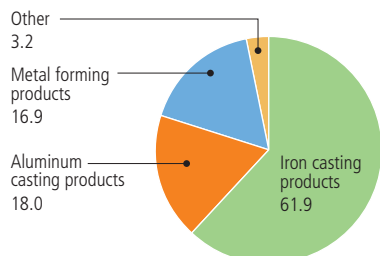
### Preeminent Manufacturer of Cast Components

Boasting the largest-scale operations of any casting company in Japan, Aisin Takaoka manufactures parts for engines and brakes, employing a wide array of materials such as iron, aluminum and stainless steel. Offering strong, lightweight products to the market, Aisin Takaoka contributes to a cleaner environment and enhanced safety through the development of new materials and employment of the most modern production methods.

Aisin Takaoka has been expanding into such fields as audio products, soundproofing materials and soil fertilizing materials through the utilization of accumulated iron casting technology, with its "TAOC" brand of speakers and stands garnering a strong reputation in the audio industry.

### Sales Breakdown by Product (%)

Fiscal 2007 (Year ended March 31, 2007)



Brake disc rotor



Stainless steel and cast iron composite exhaust manifold

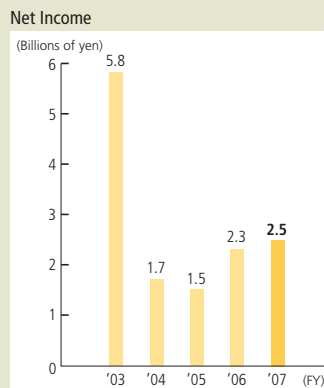
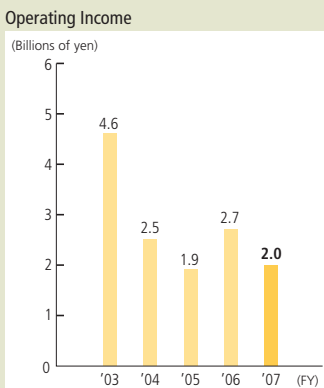
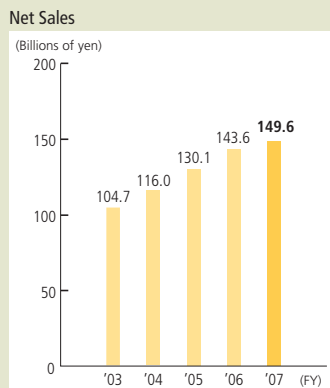


Bumper reinforcement



TAOC speaker system lineup

### DATA



# AISIN CHEMICAL CO., LTD.



Yasuhide Shibata, President

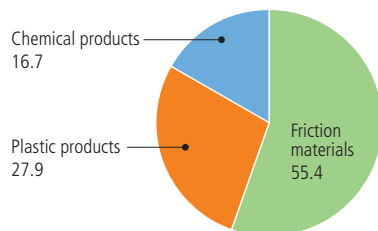
Establishment : February 12, 1952  
 Capital : ¥2,118 million (as of March 31, 2007)  
 Representative : Yasuhide Shibata, President  
 Address : 1141-1, Okawagahara, Fujioka-Iino-cho, Toyota, Aichi, 470-0492, JAPAN  
 Tel. +81-565-76-6661  
 Website : <http://www.aisin-chem.co.jp>  
 Employees : 1,030 (as of March 31, 2007)  
 Businesses : Production and sales of chemical products, friction materials and plastic parts

### Specialist in Chemical Products, Friction Materials and Plastic Parts

Aisin Chemical is the AISIN Group's sole chemical specialist and handles such chemical products as automotive coatings, damping materials and adhesives as well as friction materials for clutches and brake pads. Through a tie-up with the Group affiliate, Exedy Corporation, Aisin Chemical launched production of clutch facings (friction materials) in Thailand in June 2003 and is working diligently to address growing demand in this region.

### Sales Breakdown by Product (%)

Fiscal 2007 (Year ended March 31, 2007)



Spray-type damping materials



Segment-type discs



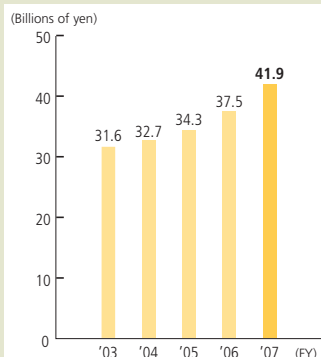
Accumulator pistons



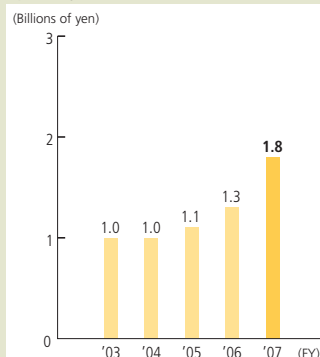
Dry friction materials

### DATA

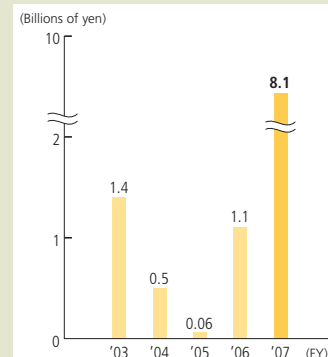
#### Net Sales



#### Operating Income



#### Net Income



## AISIN AW CO., LTD.



Takao Taniguchi, President

Establishment : May 15, 1969

Capital : ¥26,480 million (as of March 31, 2007)

Representative : Takao Taniguchi, President

Address : 10 Takane, Fujii-cho, Anjo, Aichi 444-1192, JAPAN

Tel. +81-566-73-1111

Website : <http://www.aisin-aw.co.jp>

Employees : 11,520 (as of March 31, 2007)

Businesses : Production and sales of ATs, hybrid systems and car navigation systems

### Top Manufacturer of ATs and Car Navigation Systems

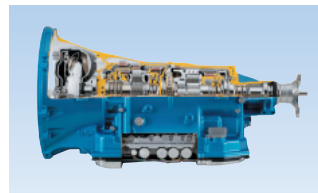
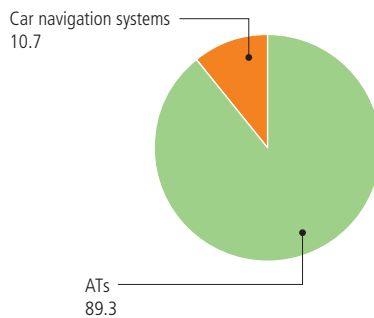
As a specialist in ATs and car navigation systems, Aisin AW boasts a broad product lineup.

In line with steady expansion of Aisin AW's business scope for ATs, the world's first RWD 8-speed AT was installed in the Lexus *LS460* while the RWD 6-speed AT, which is produced in the United States, was fitted in the latest Toyota *Tundra*.

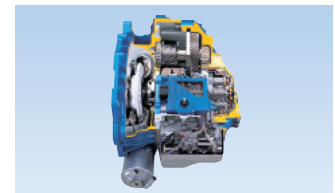
In the area of car navigation systems, Aisin AW and Toyota Motor Corporation jointly developed the world's first "Map on Demand," a map data difference distribution technology that has made it overwhelmingly easy to update maps. Aisin AW is planning to gradually release car navigation systems incorporating this technology.

### Sales Breakdown by Product (%)

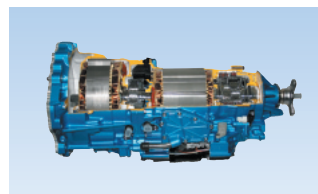
Fiscal 2007 (Year ended March 31, 2007)



RWD 8-speed AT



FWD 6-speed AT



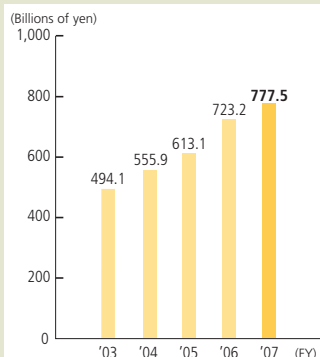
RWD 2-motor hybrid transmission



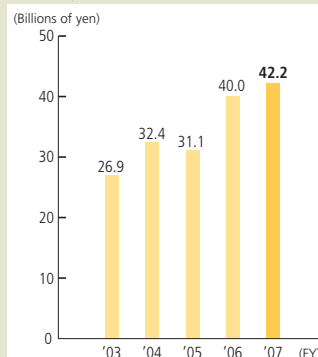
Car navigation system

### DATA

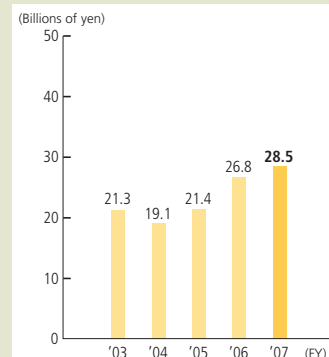
#### Net Sales



#### Operating Income



#### Net Income



# AISIN AI CO., LTD.



Masahiro Suo, President

Establishment : July 1, 1991  
 Capital : ¥5,000 million (as of March 31, 2007)  
 Representative : Masahiro Suo, President  
 Address : 1 Shiroyama, Ojima-cho, Nishio, Aichi 445-0006, JAPAN  
 Tel. +81-563-52-3111  
 Website : <http://www.aisin-ai.co.jp>  
 Employees : 2,270 (as of March 31, 2007)  
 Businesses : R&D, design, production and sales of MTs and transfers as well as their components and attachments

### Top Manufacturer of MTs

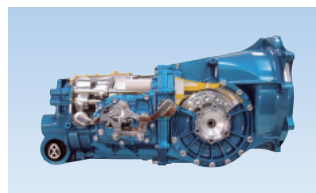
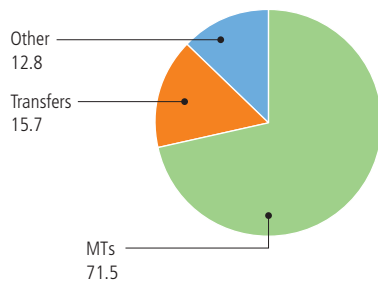
Aisin AI offers a wide lineup of serialized MTs for compact cars through to sports cars and commercial vehicles.

In February 2005, Aisin AI developed a compact and lightweight FWD 6-speed MT with high torque capacity and commenced shipment to four major automobile manufacturers for installation in a total of eight models. The total number has expanded to 16 automobile manufacturers around the world.

In line with promoting business expansion, Aisin AI's local subsidiary, Aisin AI (Thailand) Co., Ltd., began supplying RWD 5-speed MTs to new customers in June 2005, thereby increasing sales of this product.

### Sales Breakdown by Product (%)

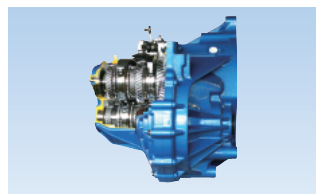
Fiscal 2007 (Year ended March 31, 2007)



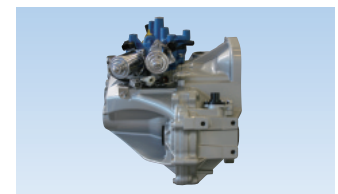
RWD (4WD) 6-speed MT



RWD 6-speed MT

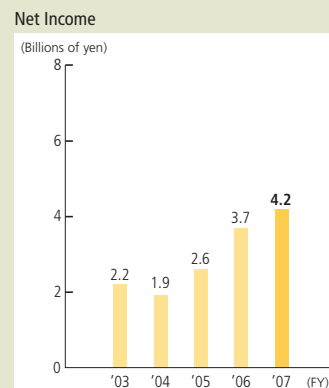
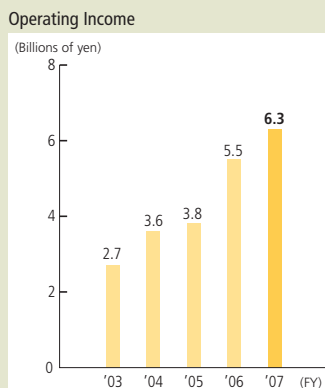
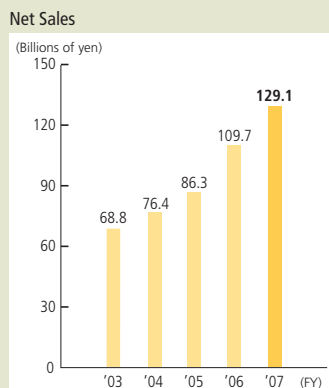


FWD 6-speed MT



FWD 5-speed automated manual transmission

### DATA



## ADVICS CO., LTD.



Dr. Haruhiko Saito, President

Establishment : July 3, 2001

Capital : ¥5,750 million (as of March 31, 2007)

Representative : Dr. Haruhiko Saito, President

Address : 2-1, Showa-cho, Kariya, Aichi, 448-8688, JAPAN

Tel. +81-566-63-8000

Website : <http://www.advics.co.jp>

Employees : 790 (as of March 31, 2007)

Businesses : Development and sales of brake systems for automobiles and their system components

### Cutting-edge Brake System Supplier

In line with its corporate message of "For Safety Evolution," ADVICS strives to contribute to the automobile society as maintained by its 2015 Vision to pursue the science of safety and provide reassurance.

In its role as a global supplier of brake systems, ADVICS leverages state-of-the-art electronics technologies to realize advanced functions that cannot be achieved with individual components alone as it aims to provide the most suitable brake system to meet customer needs based on a diverse array of brake components from brake pedals to pads.

### Sales Breakdown by Product (%)

Fiscal 2007 (Year ended March 31, 2007)

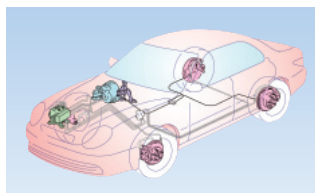
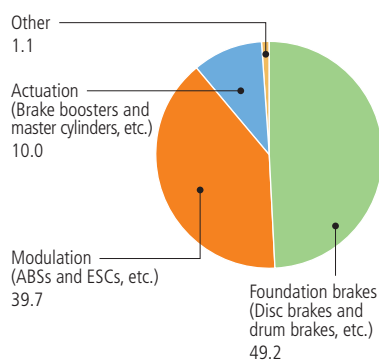
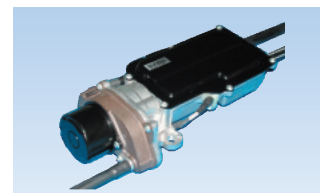


Diagram of a brake system



Electric parking brake system

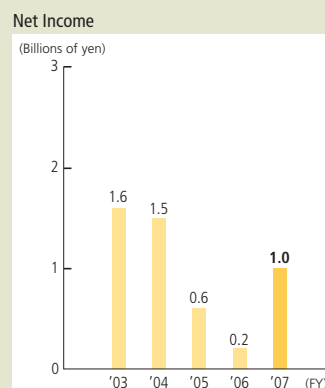
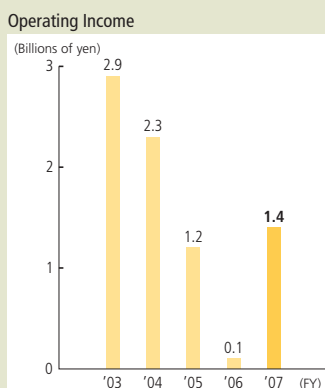
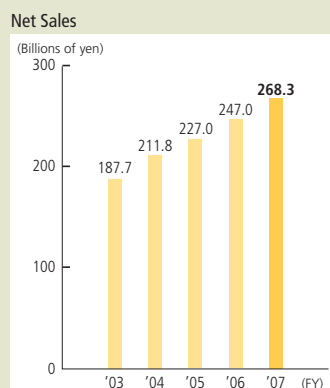


Hydraulic booster

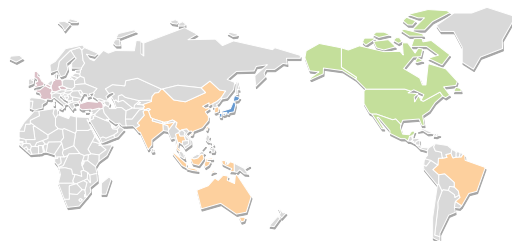


Disc brake

### DATA



## Related Company Information



### Companies within the Scope of Consolidation

	Consolidated Subsidiaries	Affiliates Accounted for under the Equity Method	Total
Domestic	64	8	72
Overseas	77	4	81
<b>Total</b>	<b>141</b>	<b>12</b>	<b>153</b>

### Overseas Subsidiaries

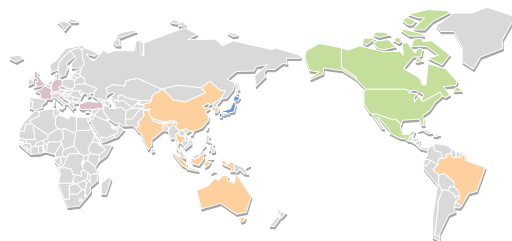
	● Holding or Sales	● R&D	● Production	Total
North America	7	3	22	32
Europe (including Turkey)	2	3	5	10
Asia & Others	7	0	32	39
<b>Total</b>	<b>16</b>	<b>6</b>	<b>59</b>	<b>81</b>

### Consolidated Subsidiaries in Japan (64 Companies)

Company	Location	Capital (Millions of yen)	AISIN Ownership (%)	Main Businesses
Aisin Takaoka Co., Ltd.	Toyota, Aichi	5,396	51.5	Casting/machining and metal forming of automotive parts as well as production of audio products and soundproofing materials
Aisin Chemical Co., Ltd.	Toyota, Aichi	2,118	75.8	Production of chemical products, friction materials and plastic parts
Aisin AW Co., Ltd.	Anjo, Aichi	26,480	58.8	Production of ATs, hybrid systems and car navigation systems
Aisin Living Planner Co., Ltd.	Anjo, Aichi	60	100.0	Residential remodeling, machinery and automobile leasing, real estate leasing and sales of home-use sewing machines
Aisin Keikinzoku Co., Ltd.	Imizu, Toyama	1,500	60.0	Production of aluminum die casting products for automobile components and aluminum extrusion
Aisin Development Co., Ltd.	Kariya, Aichi	396	100.0	Construction, environmental development (civil engineering, greenery projects, real estate) and insurance agency business
Aisin Kiko Co., Ltd.	Kira, Aichi	2,000	100.0	Production of functional AT components, drivetrain related and body related components
Aisin AI Co., Ltd.	Nishio, Aichi	5,000	100.0	R&D, design and production of MTs and transfers as well as their components and attachments
Aisin Sin'ei Co., Ltd.	Hekinan, Aichi	180	100.0	Stamping of automotive parts, painting and production of body related components
Aisin AW Industries Co., Ltd.	Echizen, Fukui	2,057	100.0	Production of AT components
Hosei Brake Industry Co., Ltd.	Toyota, Aichi	1,200	53.1	Production of brake related components for automobiles such as drum brakes
ADVICS Co., Ltd.	Kariya, Aichi	5,750	40.0	Development and sales of brake systems for automobiles and their system components
Aisin Tohoku Co., Ltd.	Kanegasaki, Iwate	490	100.0	Production of body related and engine related components
Aisin Kyushu Co., Ltd.	Jonan, Kumamoto	490	100.0	Production of body related and engine related components, semiconductors and LCD manufacturing equipment
Aisin Hokkaido Co., Ltd.	Tomakomai, Hokkaido	490	100.0	Production of aluminum die casting products
Saitama Kogyo Co., Ltd.	Hidaka, Saitama	95	100.0	Production of body related components
Kotobuki Industry Co., Ltd.	Toyota, Aichi	60	100.0	Production of body related components
Aichi Giken Co., Ltd.	Kariya, Aichi	20	100.0	Surface processing and assembly of automotive parts
Aisin Metaltech Co., Ltd.	Nyuzen, Toyama	490	100.0	Production of forging parts
Shinko Seiki Co., Ltd.	Takaoka, Toyama	20	100.0	Production of molds
Aisin Maintenance Co., Ltd.	Hekinan, Aichi	20	100.0	Machine repair and modification as well as assembly of body related components
Aisin Engineering Co., Ltd.	Kariya, Aichi	98	100.0	Drawing, creation and management of design blueprints and temporary staff services

Company	Location	Capital (Millions of yen)	AISIN Ownership (%)	Main Businesses
Aisin Comcruise Co., Ltd.	Nagoya, Aichi	90	100.0	Development and evaluation of embedded software
Aisin Infotex Co., Ltd.	Minato-ku, Tokyo	50	70.0	Development of CAD utilization systems and provision of CAD training
IMRA Material R&D Co., Ltd.	Kariya, Aichi	80	100.0	R&D of leading-edge materials
Aisin Cosmos R&D Co., Ltd.	Kariya, Aichi	20	100.0	R&D of biotechnology, chemical technology and micro-technology
Technova Inc.	Chiyoda-ku, Tokyo	160	90.0	Surveying, R&D and consulting
FT Techno Inc.	Toyota, Aichi	23	100.0	Testing and assessment of automobiles and leasing of testing facilities
Aisin Collabo Co., Ltd.	Kariya, Aichi	30	100.0	Temporary staff services, staff agency, outsourcing services
Sinsan Corporation	Anjo, Aichi	34	100.0	Sales of stationery goods, operation of cafeterias and shops
Konan Kogyo Co., Ltd.	Toyota, Aichi	78	100.0	Sales of oil products, automotive repairs and sales of air conditioning equipment
Hekinan Unsou Co., Ltd.	Hekinan, Aichi	54	51.9	Cargo transport and vehicle repairs
Sanetsu Unyu Co., Ltd.	Nyuzen, Toyama	41	91.3	Cargo transport
Fuji Kousan Co., Ltd.	Kariya, Aichi	410	100.0	Operation of tennis club (Kariya Tennis Park)
Aisin Sinwa Co., Ltd.	Nyuzen, Toyama	476	99.7	Iron casting, cold forging and machining of automotive parts
Kozakai Industries Co., Ltd.	Kozakai, Aichi	129	100.0	Machining of automotive parts
AT Maintenance Co., Ltd.	Toyota, Aichi	40	100.0	Design, production and repair of casting machines and molds as well as processing of casting components
AT Materials Co., Ltd.	Toyota, Aichi	20	100.0	Sales of materials and sub-materials for casting and sales of machinery and equipment
Inatetsu Co., Ltd.	Nishio, Aichi	20	40.0	Rust-proofing treatment and machining of automotive parts
Fukuda Industrial Co., Ltd.	Nagoya, Aichi	198	49.0	Casting of aluminum and zinc die casting products for automobiles
AT Nanyo Co., Ltd.	Nagoya, Aichi	64	100.0	Assembly of automotive parts and sales of audio products
AT Technos Co., Ltd.	Toyota, Aichi	20	100.0	System development, provision of various training and temporary staff agency
AT Agri Co., Ltd.	Toyota, Aichi	20	100.0	Transport and processing of industrial waste as well as management and cleaning of green spaces
Takaoka Industrial Co., Ltd.	Toyota, Aichi	10	100.0	Production of cast iron and steel products
Sinwa Industries Co., Ltd.	Nyuzen, Toyama	10	100.0	Cleaning and management of welfare facilities, greening and sales of foods and other products
AC Industries Co., Ltd.	Toyota, Aichi	20	100.0	Production of automotive parts
AW Service Co., Ltd.	Anjo, Aichi	90	100.0	Environmental maintenance and logistics
Equos Research Co., Ltd.	Chiyoda-ku, Tokyo	20	100.0	Investigation and R&D of various technologies

## Related Company Information



Company	Location	Capital (Millions of yen)	AISIN Ownership (%)	Main Businesses
AW Engineering Co., Ltd.	Anjo, Aichi	90	100.0	CAE analyses, planning, design and production of software development support devices as well as creation of prototypes
AW Maintenance Co., Ltd.	Anjo, Aichi	90	100.0	Production, modification, renewal and maintenance of equipment
AW Software Co., Ltd.	Sapporo, Hokkaido	20	100.0	Development of car navigation software and map database
CVTEC Co., Ltd.	Tahara, Aichi	1,500	66.6	Production of metal belts for CVTs
Awquis Japan Co., Ltd.	Takahama, Aichi	1,000	100.0	Repair and rebuilding of ATs as well as quality and technology information research
AW IS Co., Ltd.	Echizen, Fukui	20	100.0	Cleaning related services, operation of dormitories and vehicle transportation services, etc.
Techno Metal Co., Ltd.	Takaoka, Toyama	90	100.0	Secondary refining of aluminum alloys
Tonamino Kogyo Co., Ltd.	Tonami, Toyama	20	100.0	Production of body related components and housing window frames
AD Nobi Co., Ltd.	Nagoya, Aichi	110	100.0	Planning, development and sales of condominiums and houses
AD Sunutopia Co., Ltd.	Nagoya, Aichi	27	100.0	Management of apartments and buildings, real estate leasing and brokerages as well as home improvement and renovation
AD Green Co., Ltd.	Toyota, Aichi	20	100.0	Greening and exterior refurbishing
AKKM Co., Ltd.	Kariya, Aichi	40	100.0	Polishing of cutting tools and building management
AI Machine Tech Co., Ltd.	Anjo, Aichi	24	100.0	Production and repair of machine tools
Sin'ei Maintenance Co., Ltd.	Hekinan, Aichi	10	100.0	Production and repair of surface processing equipment jigs
Toho Chemical Co., Ltd.	Anjo, Aichi	10	100.0	Coating of automotive parts

Others: 1 company

### Affiliates Accounted for under the Equity Method (8 Companies)

Company	Location	Capital (Millions of yen)	AISIN Ownership (%)	Main Businesses
Exedy Corporation	Neyagawa, Osaka	8,284	33.4	Production of clutches, torque converters and power shift transmissions
Cataler Corporation	Kakegawa, Shizuoka	551	39.8	Production of automotive exhaust purification catalyzers and environmental catalyzers
Nippon Clutch Co., Ltd.	Saitama, Saitama	64	50.0	Sales of clutches for resupply and production of molds/jigs
Yamagata Clutch Co., Ltd.	Tsuruoka, Yamagata	25	50.0	Production of clutches and molds/jigs
Aisin GM Allison Co., Ltd.	Minato-ku, Tokyo	90	40.0	Sales of ATs for commercial vehicles
Toyoaki Mokko Co., Ltd.	Kariya, Aichi	20	36.9	Production of home-use wood products
Towa Sewing Co., Ltd.	Inabe, Mie	50	20.0	Production and sales of textile products
Nakagawa Industrial Co., Ltd.	Chiryu, Aichi	10	35.7	Production of molds, ZAS prototype stamping dies and wooden stamping dies



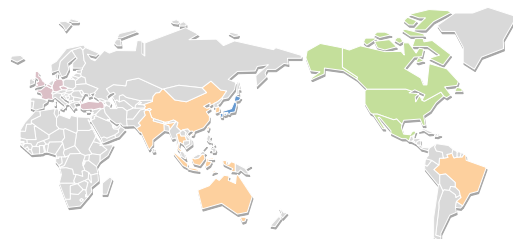
## Overseas Consolidated Subsidiaries (81 Companies)

● Holding or Sales ● Production ● R&amp;D

Country/Region	Company	Capital (Thousands of local currency)	AISIN Ownership (%)	Main Businesses
U.S.A.	● Aisin Holdings of America, Inc.	US\$ 267,180	100.0	Administration of overall North American operations
	● Aisin U.S.A. Mfg., Inc.	US\$ 81,140	100.0	Production of automotive parts (seats, moldings, door frames and door latches)
	● IMRA America, Inc.	US\$ 12,550	100.0	R&D and technical services for optical technologies
	● Aisin Electronics, Inc.	US\$ 5,000	100.0	Production of automotive parts (sensors, actuators as well as ECUs and other electronic components)
	● Aisin Drivetrain, Inc.	US\$ 45,700	100.0	Production of automotive parts (drivetrain related components for industrial vehicles, brake components and chassis components)
	● Aisin Automotive Casting, LLC	US\$ 72,101	100.0	Production of automotive parts (oil pumps and transaxle cases) and production, sales and maintenance of moldings
	● Aisin World Corp. of America	US\$ 27,000	100.0	Marketing and sales of automotive parts and life and energy related products as well as technical development of products to be produced in North America
	● Aisin Mfg. Illinois, LLC	US\$ 37,300	100.0	Production of automotive parts (sunroofs, sliding door modules and outside handles)
	● Aisin Brake & Chassis, Inc.	US\$ 41,400	100.0	Production of automotive parts (drum brakes and brake master cylinders)
	● Aisin Light Metals, LLC	US\$ 5,100	100.0	Production of automotive parts (aluminum extrusion and aluminum die casting)
	● Aisin Automotive Casting Tennessee, Inc.	US\$ 30,900	100.0	Production of automotive parts (engine front modules, pistons and VVTs)
	● Aisin Electronics Illinois, LLC	US\$ 5,300	100.0	Production of automotive parts (electronic components for microcomputer-controlled sunroofs and power sliding door systems)
	● FT Techno of America, LLC.	US\$ 1,000	100.0	Design, construction management and operation of proving ground; reliability testing service
	● Aisin Chemical Indiana, LLC	US\$ 6,000	100.0	Production of automotive parts (wet friction materials for ATs)
	● Aisin Mfg. California, LLC	US\$ 5,000	100.0	Production of automotive parts (door frames)
	● Intat Precision, Inc.	US\$ 0.85	100.0	Casting and machining of iron casting products for automobiles
	● ATTC Manufacturing, Inc.	US\$ 24,600	100.0	Machining of iron casting products for automobiles
	● AW Transmission Engineering USA, Inc.	US\$ 8,500	100.0	Repair and rebuilding of ATs as well as quality and technology information research
	● AW North Carolina, Inc.	US\$ 75,000	100.0	Production of automotive parts (AT components)
	● AW Technical Center U.S.A., Inc.	US\$ 7,500	100.0	R&D of automotive parts (ATs and car navigation systems)
	● ADVICS Manufacturing Ohio, Inc.	US\$ 36,000	100.0	Production and sales of automotive parts (disc brakes and antilock brake systems)
● Safa L.L.C.	US\$ 8,000	100.0	Production of automotive parts (disc brake friction materials)	
● ADVICS North America, Inc.	US\$ 75	100.0	Development and sales of automotive parts (brake systems and their system components)	
● Exedy America Corporation*	US\$ 83,200	40.0	Production of automotive parts (torque converters)	
Canada	● Aisin Canada, Inc.	C\$ 16,315	100.0	Production of automotive parts (manual seat tracks, adjusters and occupant weight sensors)
Mexico	● Liberty Mexicana S.A. de C.V.	Peso 214	100.0	Production of automotive parts (clutches, water pumps and hood locks)

\* Affiliates accounted for under the equity method

## Related Company Information



● Holding or Sales ● Production ● R&D

Country/Region	Company	Capital (Thousands of local currency)	AISIN Ownership (%)	Main Businesses
Mexico	● Aisin Mexicana S.A. de C.V.	Peso 34,586	100.0	Production of automotive parts (door latches, door checkers and upper locks)
	● Aisin Manufacturing Aguascalientes, S.A. de C.V.	Peso 27,500	100.0	Production of automotive parts (door frames)
Brazil	● Aisin do Brazil Com. e Ind Ltda.	R\$ 32,746	100.0	Production of automotive parts (door frames, door latches and door hinges)
France	● IMRA Europe S.A.S.	€ 7,091	100.0	R&D in leading-edge technologies in the fields of energy/environment, cognition/intelligence and electromagnetics)
U.K.	● Aisin Europe Manufacturing (UK) Ltd.	£ 7,650	100.0	Production of automotive parts (door frames and door latches)
Belgium	● Aisin Europe S.A.	€ 97,442	100.0	Import, export and sales of automotive parts and fashion related products (home-use sewing machines, etc.)
	● AW Europe S.A.	€ 26,150	100.0	Production of automotive parts (electronic components), repair and rebuilding of ATs and sales of AT components
	● AW Technical Center Europe S.A.	€ 13,409	100.0	R&D of automotive parts (ATs and car navigation systems)
Germany	● FT Techno Europe GmbH	€ 25	100.0	Reliability testing service
	● Aisin AI Europe GmbH	€ 25	100.0	Sales of automotive parts (MTs, etc.)
Czech Republic	● Aisin Europe Manufacturing Czech s.r.o.	Kcs 702,000	100.0	Production of automotive parts (timing chain cases, water pumps and oil pumps)
Turkey	● Aisin Otomotiv Parcalari Sanayi ve Ticaret A.S.	YTL 15,700	100.0	Production of automotive parts (door frames, outside handles and seat sensors)
Singapore	● Aisin Asia Pte. Ltd.	S\$ 500	100.0	Import, export and sales of automotive parts, home-use sewing machines and apparel machinery
Thailand	● Siam Aisin Co., Ltd.	Bt 880,000	97.0	Production of automotive parts (brake components, timing chain cases and door frames)
	● The Siam Nawaloha Foundry Co., Ltd.	Bt 308,000	50.3	Casting and machining of iron casting products for automobiles and industrial vehicles
	● Thai Engineering Products Co., Ltd.	Bt 85,000	46.1	Machining of iron casting products for automobiles and industrial vehicles as well as casting and machining of aluminum products
	● The Nawaloha Industry Co., Ltd.	Bt 300,000	60.1	Casting and machining of iron casting products for automobiles and industrial vehicles
	● Siam AT Industry Co., Ltd.	Bt 240,000	60.1	Machining of iron casting products for automobiles and industrial vehicles
	● Aisin Takaoka Foundry Bangpakong Co., Ltd	Bt 475,000	70.1	Casting of iron casting products for automobiles and industrial vehicles
	● Aisin Takaoka (Thailand) Co., Ltd.	Bt 4,000	100.0	Thailand business strategy, planning, sales and marketing
	● Aisin AI (Thailand) Co., Ltd.	Bt 784,000	100.0	Production of automotive parts (MTs and gears)
	● ADVICS Asia Pacific Co., Ltd.	Bt 40,000	100.0	Sales of automotive parts (brake systems and components)
	● Exedy Friction Material Co., Ltd.*	Bt 316,000	33.5	Production of automotive parts (clutch facings)
Indonesia	● PT. Aisin Indonesia	Rp 66,000,000	62.7	Production of automotive parts (clutch discs, door latches and door frames)
	● PT. AT Indonesia	Rp 55,500,000	56.0	Casting and machining of iron casting products for automobiles and industrial vehicles as well as metal forming
	● PT. ADVICS Indonesia	Rp 1,272,000	100.0	Sales of automotive parts (brake systems and components)

● Holding or Sales ● Production ● R&D

Country/Region	Company	Capital (Thousands of local currency)	AISIN Ownership (%)	Main Businesses
India	● Aisin NTF Pvt. Ltd.	Rs 105,000	79.8	Production of automotive parts (door frames, door latches and window regulators)
Taiwan	● Elite Sewing Machine Mfg. Co., Ltd.	NT\$ 302,000	91.4	Production of home-use sewing machines and automotive parts (door frames and clutches)
	● Long Go Industry Co., Ltd.	NT\$ 21,000	100.0	Production of automotive parts (glass guides, lower frames and belt moldings)
	● ADVICS Taiwan Automotive Parts Co., Ltd.	NT\$ 16,000	100.0	Development and sales of automotive parts (brake systems and their system components)
China	● Zhejiang Aisin-Hongda Automobile Parts Co., Ltd.	Rmb 82,847	74.5	Production of automotive parts (water pumps, oil pumps and cylinder head covers)
	● Tangshan Aisin Gear Co., Ltd.	Rmb 520,000	97.0	Development, design and production of automotive parts (MTs)
	● Tianjin Aisin Automobile Parts Co., Ltd.	Rmb 212,360	98.1	Production of automotive parts (tandem master cylinders and clutch discs)
	● Aisin Tianjin Body Parts Co., Ltd.	Rmb 136,800	60.0	Production of automotive parts (door latches, door frames and seats)
	● Zhejiang Aisin Elite Machinery & Electric Co., Ltd.	Rmb 30,625	100.0	Development and production of home-use sewing machines and related components
	● Hangzhou Aisin INAX Machinery & Electric Co., Ltd.	Rmb 21,520	51.0	Production of shower-toilet seats and auxiliary and related products
	● Aisin Seiki Foshan Automotive Parts Co., Ltd.	Rmb 197,961	100.0	Production and sales of automotive parts (crank cases and intake manifolds) and production of die casting molds
	● Fengai (Guangzhou) Automotive Seat Parts Co., Ltd.*	Rmb 115,873	49.0	Production of automotive parts (seat backs, seat cushions and seat tracks)
	● Aisin Seiki Foshan Body Parts Co., Ltd.	Rmb 95,864	80.0	Production of automotive parts (electric sunroofs and motor housing for power seats)
	● Tangshan Aisin Automotive Parts Co., Ltd.	Rmb 371,299	100.0	Production of automotive parts (crank cases, timing chain covers and AT cases)
	● Tianjin Feng Ai Automotive Seat Parts Co., Ltd.*	Rmb 133,006	49.0	Production of automotive parts (seat frames, seat adjusters, rails and related components)
	● Takaoka Lioho (Tianjin) Industries Co., Ltd.	Rmb 30,590	51.0	Casting and machining of iron casting products for automobiles
	● Takaoka Lioho (Guangzhou) Machinery Industries Co., Ltd.	Rmb 48,701	51.0	Machining of iron casting products for automobiles
	● Tianjin AW Automatic Transmission Co., Ltd.	Rmb 99,739	80.0	Production of automotive parts (RWD ATs)
	● Hosei Brake Industry Fuzhou Co., Ltd.	Rmb 22,136	70.0	Production of automotive parts (brake related components)
	● ADVICS Tianjing Automobile Parts Co., Ltd.	Rmb 139,697	96.5	Production of automotive parts (brake components) and sales of automotive parts (brake systems)
● ADVICS Guangzhou Automobile Parts Co., Ltd.	Rmb 60,418	95.0	Production of automotive parts (brake components) and sales of automotive parts (brake systems)	
Korea	● AW Korea Co., Ltd.	W 100,000	100.0	Sales, technical and quality assurance activities for automotive parts (ATs)
Australia	● Aisin (Australia) Pty., Ltd.	A\$ 3,000	100.0	Production of automotive parts (door frames and door latches) and import, export and sales of home-use sewing machines and apparel machinery

Others: 6 companies

\* Affiliates accounted for under the equity method

# Directors, Corporate Auditors and Managing Officers

AISIN SEIKI CO., LTD. (As of June 2007)



Chairman

Kanshiro Toyoda

President

Yasuhito Yamauchi



Executive Vice President

Norio Oku

Executive Vice President

Fumio Fujimori

Executive Vice President

Takeshi Kawata

Executive Vice President

Shunichi Nakamura

## ■ Directors and Corporate Auditors

Chairman	Kanshiro Toyoda	Senior Managing Directors	Masaki Horiba	Standing Corporate Auditors	Minoru Hayashi
President	Yasuhito Yamauchi		Shinji Itakura		Toshihiro Gonda
Executive Vice Presidents	Fumio Fujimori		Tsuneo Uchimoto	Corporate Auditors	Shoichiro Toyoda
	Takeshi Kawata		Toshikazu Nagura		Hiroyuki Mizutani
	Norio Oku		Junichi Nishimura		Michiyo Hamada
	Shunichi Nakamura	Directors	Shinichiro Yamamura		Hirohisa Yamada
			Masahiro Suo		
			Takao Taniguchi		
			Toshiyuki Ishikawa		

## ■ Managing Officers

Shoji Ishiyama	Naofumi Fujie	Kazumi Usami	Hiroshi Takahashi	Shinsuke Yagi
Takashi Morita	Shizuo Shimanuki	Makoto Mitsuya	Hitoshi Okabe	Tsuneomi Sasaki
Takashi Mase	Kenji Tsujimura	Toshiyuki Mizushima	Tsuyoshi Yoshida	Masayasu Sugiura
Giichi Segawa	Takashi Enomoto	Yoshiaki Kato	Yoshihiko Kanada	
Takaki Kamio	Masayasu Saito	Motonobu Akaki	Seiichi Takahashi	

## Financial Section

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# Management's Discussion and Analysis of Financial Conditions and Results of Operations

AISIN SEIKI CO., LTD. and Its Subsidiaries  
Years ended March 31

## Overview

Aisin Seiki and its subsidiaries (collectively, AISIN) comprises 153 subsidiaries and affiliates, including 100 production companies, 14 sales companies and 39 other companies, with operations entailing manufacturing and sales related to the core Automotive Parts and Systems Business and the Life Related and Other Business.

During the fiscal year, beginning April 1, 2006 and ending March 31, 2007, on a consolidated basis, net sales

rose 12.2% to ¥2,378,612 million (US\$20,149 million), operating income increased 11.0% to ¥131,034 million (US\$1,110 million) and ordinary income grew 7.3% to ¥134,287 million (US\$1,138 million), all of which marked record highs. Additionally, net income rose 9.5% to ¥66,890 million (US\$567 million).

## Results of Operations

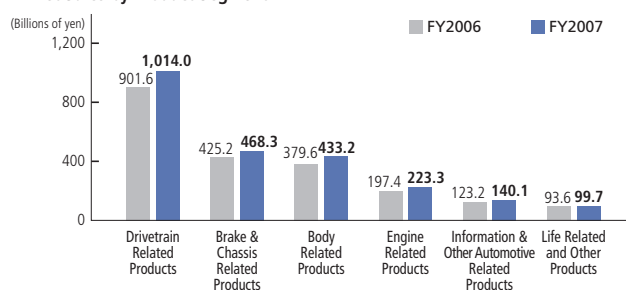
### Sales

In the fiscal year under review, net sales were ¥2,378,612 million (US\$20,149 million). By business segment, sales in the Automotive Parts and Systems Business rose 12.4% from ¥2,027,005 million to ¥2,278,817 million (US\$19,304 million) over the previous fiscal year. Within the Life Related and Other Business, sales in the life related products segment declined 2.6% to ¥51,593 million (US\$437 million) as a result of a decrease in unit sales of GHPs and other factors, while sales of the other products segment, which includes civil engineering and petroleum sales, grew 18.7% to ¥48,202 million (US\$408 million) on account of an increase in orders.

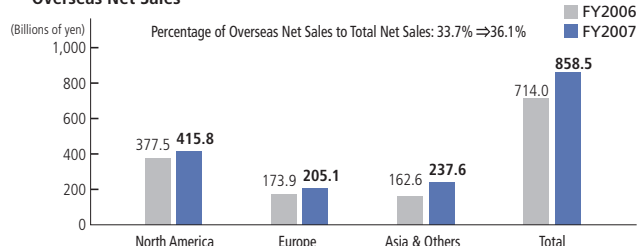
Within the Automotive Parts and Systems Business, sales of engine related products rose 13.1% to ¥223,275 million (US\$1,891 million) due to higher sales of timing chain covers and cylinder head covers. Sales of drivetrain related products, meanwhile, increased 12.5% to ¥1,014,017 million (US\$8,590 million) on the back of the strong performance of 6-speed ATs and MTs. Sales of brake and chassis related products rose 10.1% to ¥468,261 million (US\$3,967 million); sales of body related products improved 14.1% to ¥433,211 million (US\$3,670 million) in line with expanded sales of occupant weight sensors and power sliding door systems; and sales of information & other automotive related products increased 13.7% to ¥140,053 million (US\$1,186 million) following growth in sales of car navigation systems and other products.

AISIN has been consistently globalizing its business activities and increasing the number of overseas bases. Reflecting this, the ratio of overseas sales to total net sales rose from 33.7% to 36.1%.

Net Sales by Product Segment



Overseas Net Sales



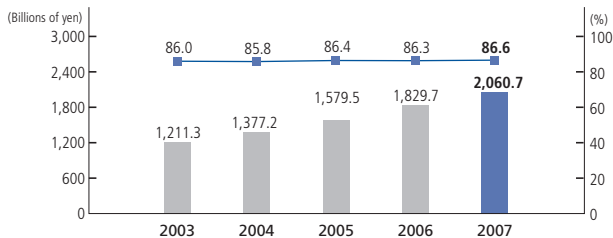
### Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 12.6% from ¥1,829,682 million to ¥2,060,668 million (US\$17,456 million). Despite our efforts to streamline and raise efficiency in all areas of operations through cost reductions and other measures, surging raw materials prices, rising depreciation and amortization expenses, as well as R&D and other expenses resulted in the ratio of cost of sales to net sales edging up from 86.3% to 86.6%.

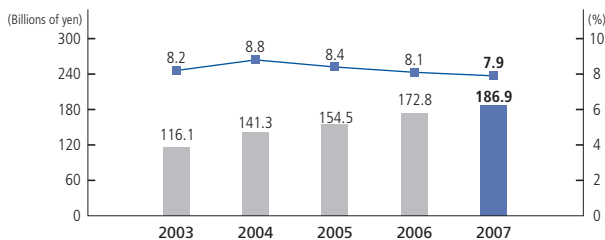
Selling, general and administrative (SG&A) expenses rose 8.2% from ¥172,810 million to ¥186,910 million

(US\$1,583 million) in accordance with increases in such proportional expenses as packaging and shipping as well as R&D expenses. The ratio of SG&A expenses to net sales decreased from 8.1% to 7.9%.

Cost of Sales (COS)/COS to Net Sales



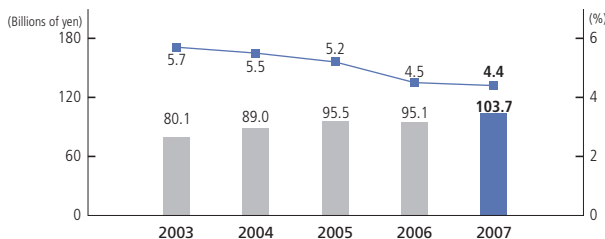
SG&A/SG&A to Net Sales



## R&D Expenses

R&D expenses, which are included in SG&A expenses and manufacturing costs, respectively totaled ¥95,149 million and ¥103,750 million (US\$879 million) in fiscal 2006 and 2007. The ratio of R&D expenses to net sales for both fiscal years was 4.5% and 4.4%, respectively.

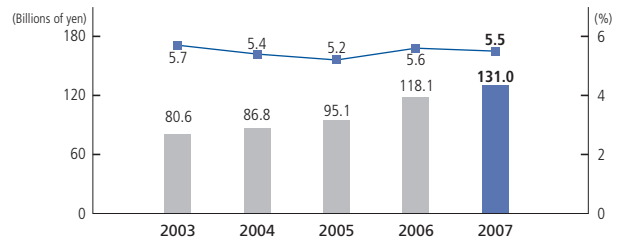
R&D Expenses/R&D Expenses to Net Sales



## Operating Income

Operating income rose 11.0% to ¥131,034 million (US\$1,110 million), while the ratio of operating income to net sales stood at 5.5%.

Operating Income/ Operating Income to Net Sales



## Non-operating Income and Expenses

The balance of non-operating income and expenses was a profit of ¥3,253 million (US\$28 million) in fiscal 2007, compared with a profit of ¥7,000 million in fiscal 2006. The chief factors behind this decline were a ¥2,045 million loss on sales of property, plant and equipment, a ¥1,990 million reduction in foreign exchange gains and an increase in dividend income of ¥1,277 million.

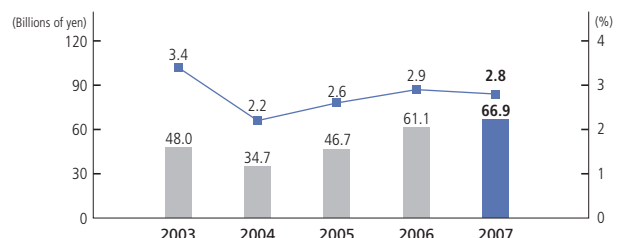
## Minority Interests in Net Income of Subsidiaries

Minority interests in net income of subsidiaries fell 5.1% from ¥23,850 million to ¥22,622 million (US\$192 million), with the burden of corporate taxes incurred by acquisition of treasury stock held by subsidiaries outweighing an increase in profits at overseas subsidiaries.

## Net Income

Net income rose 9.5% from ¥61,096 million to ¥66,890 million (US\$567 million), while the ratio of net income to net sales declined from 2.9% to 2.8%. Return on equity (ROE) decreased from 9.9% to 9.3%, while net income per share improved from ¥209.15 to ¥233.03 (US\$1.97).

Net Income/Net Income to Net Sales



## Overview of Cash Flows

For fiscal 2007, cash flows provided by operating activities amounted to ¥228,402 million (US\$1,935 million), cash flows used in investing activities was ¥236,615 million (US\$2,004 million) and cash flows provided by financing activities totaled ¥13,361 million (US\$113 million). As a result, cash and cash equivalents as of March 31, 2007 stood at ¥136,307 million (US\$1,155 million), an increase of ¥8,094 million, or 6.3%, compared with ¥128,213 million as of March 31, 2006.

## Cash Flows from Operating Activities

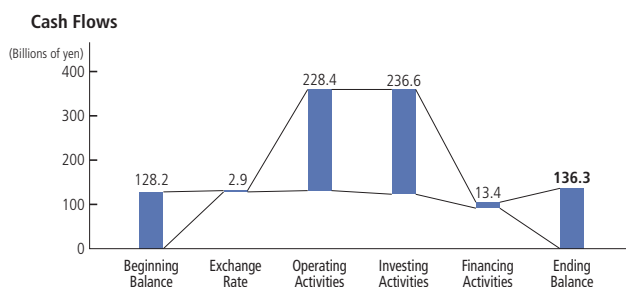
Net cash provided by operating activities increased ¥42,686 million, or 23.0%, from ¥185,716 million in fiscal 2006 to ¥228,402 million. The chief factors behind this rise were an increase of ¥9,190 million in income before income taxes and minority interests and an increase of ¥22,243 million in depreciation and amortization.

## Cash Flows from Investing Activities

Net cash used in investing activities rose ¥21,119 million, or 9.8%, from ¥215,496 million in fiscal 2006 to ¥236,615 million. This was primarily due to an increase of ¥16,651 million in time deposit and short-term investments as well as an increase of ¥5,681 million from ¥218,753 million to ¥224,434 million in payments for purchase of property, plant and equipment.

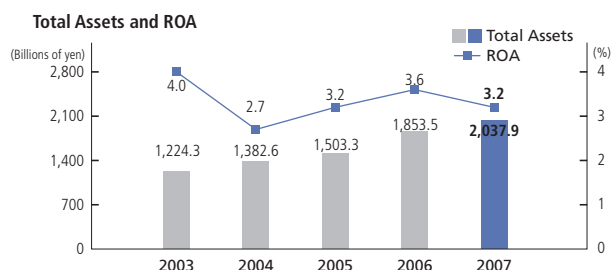
## Cash Flows from Financing Activities

Net cash provided by financing activities fell ¥23,473 million, or 63.7%, from ¥36,834 million in fiscal 2006 to ¥13,361 million. The key factors were a decrease of ¥14,978 million in proceeds from long-term debt from ¥65,187 million in fiscal 2006 to ¥50,209 million and the absence of proceeds from issuance of bonds payable in fiscal 2007, which were posted in an amount of ¥10,000 million in fiscal 2006.



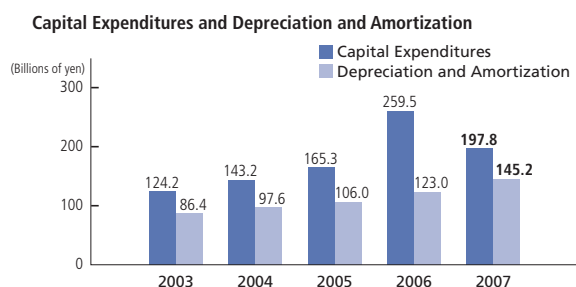
## Financial Position

Total assets rose 10.0% to ¥2,037,896 million (US\$17,263 million) as a result of expanded business activities. Total liabilities rose 7.9% to ¥1,082,043 million (US\$9,166 million), minority interests increased 14.4% to ¥196,942 million (US\$1,668 million) and net assets totaled ¥955,853 million (US\$8,097 million).



## Capital Expenditures

Capital expenditures decreased 23.8% to ¥197,806 million (US\$1,676 million) as a result of investment in new products and product improvements to accommodate new vehicles. Additional investment included augmenting production capacities in Japan and overseas, streamlining production facilities, and R&D investments and others for new product development and evaluation facilities.



## Future Outlook

Net sales for the fiscal year ending March 31, 2008 are projected to rise 5.1% to ¥2,500,000 million owing to increased sales of ATs.

While higher depreciation and amortization expenses and R&D expenses are expected, projections call for a 3.0% rise in operating income to ¥135,000 million on the back of increased sales and cost reduction efforts, as well as ordinary income of ¥137,000 million and net income of ¥68,000 million.



## Risk Information

The following risks can potentially impact AISIN's performance and financial position. Any forward-looking statements mentioned herein reflect estimates as of June 22, 2007.

### (1) Economic Trends

Within revenues from AISIN's worldwide operations, demand for mainstay automobile related products is vulnerable to economic conditions in the countries and regions where AISIN products are sold. Consequently, economic recessions in such crucial markets as Japan, North America, Europe and Asia as well as subsequent contraction in demand have the potential to negatively impact AISIN's performance and financial position. AISIN's operations could also be indirectly vulnerable due to economic conditions in regions where competitors manufacture products. For example, in cases where competitors employ cheaper labor in the region, this may have an adverse effect on AISIN's sales of the same types of products since competitors can provide more competitively priced products. Moreover, if the local currency in which AISIN produces components and raw materials depreciates, manufacturing costs may decline for both AISIN and other manufacturers. This may result in intensified export and price competition, and subsequently, may have a negative impact on AISIN's performance and financial position.

### (2) Supply of Raw Materials and Components

AISIN's products are heavily dependent on raw materials and components provided by multiple suppliers outside the AISIN Group. While these external suppliers are obligated to provide stable services through basic contracts, they cannot guarantee supply in the event of shortages due to rapidly rising prices from market changes, supply crunches or unforeseen mishaps in their operations. Such an event has the potential to drive up prices for AISIN's products and halt production, and subsequently, may have a negative impact on AISIN's performance and financial position.

### (3) Principal Customers

AISIN chiefly produces and sells automotive parts and life related products, with its mainstay Automotive Parts and Systems Business mostly targeting automobile manufacturers in and outside Japan. Among these customers, AISIN has the highest level of dependence on Toyota Motor Corporation (TMC) and the Toyota Group, with sales totaling ¥1,567,932 million (US\$13,282 million)

and representing 65.9% of AISIN's net sales in fiscal 2007. For that reason, changes in sales volume within TMC and the Toyota Group have the potential to negatively impact AISIN's performance and financial position. As of March 31, 2007, the portion of AISIN's voting shares held by TMC directly was 23.0%, and indirectly was 0.1%.

### (4) Exchange Rate Fluctuations

AISIN has worked to bolster its sales in the Japanese market and aggressively pursue the cultivation of overseas markets chiefly in North America, Europe and Asia, to the extent that the ratio of overseas net sales to total net sales was 36.1% as of March 31, 2007.

Accounting items listed in local currency rates, including sales, expenses and assets in respective overseas countries, are converted into yen when making the consolidated financial statements. Accordingly, there is a possibility that the value of accounting items may be negatively impacted after translation even when there is no fluctuation in local currencies. The strengthening of the yen against other currencies (especially against the U.S. dollar and the euro, which account for a significant portion of AISIN's sales) may negatively impact AISIN's performance and financial position.

Such strengthening of the yen against other currencies in business operations that manufacture and export from Japan could relatively reduce AISIN's price competitiveness on a global basis and potentially have a negative impact on AISIN's performance and financial position. While AISIN is working to minimize the negative impact of exchange rate fluctuations among various currencies, including the U.S. dollar, the euro and the yen, such fluctuations may have the potential to negatively impact AISIN's performance and financial position.

### (5) Business Inroads in Overseas Markets

AISIN has subsidiaries and affiliates in such varying areas as North America, Europe and Asia. Expanding businesses in overseas markets entails the risks listed below, and may have the potential to negatively impact AISIN's performance and financial position when they occur.

1. Unanticipated laws and regulations and changes to the tax system unfavorable to business
2. Underdeveloped social overhead capital (infrastructure)
3. Occurrences of unfavorable governmental issues or economic conditions
4. Difficulties in hiring and retaining staff
5. Social upheavals due to terrorism, war or other factors

## **(6) Product Development**

AISIN works to develop new products to provide added value and contribute to the enrichment of society. While AISIN aims to continue developing original and attractive products, the following are some of the risks entailed in the often complex and uncertain process involving the development and sales of cutting-edge products. The inability to sufficiently anticipate changes in respective industries and markets as well as develop and release attractive new products in a timely manner due to the following risks could hamper future growth and profitability and have a negative impact on AISIN's performance and financial position.

1. There is no guarantee that the necessary funds and resources for investment in new products and technologies will be sufficiently available.
2. There is no guarantee that long-term and substantial investment will produce successful new products and technologies.
3. There is no guarantee that AISIN will accurately predict which new products and technologies will gain the support of the market or succeed in marketing these products.
4. There is no guarantee that new products and technologies will be protected as intellectual property.
5. Rapid advances in technology and changes in market needs may make AISIN's products obsolete.
6. Delays in commercialization of technologies under development may not keep pace with trends in market demand.

## **(7) Product Defects**

AISIN is fully committed to producing high-quality, attractive products that meet customer needs based on the concept of "Quality First." However, AISIN cannot guarantee that there will be no defects or that recalls will not be made in the future. Moreover, while AISIN is insured for product liability indemnity, there is no guarantee that this policy will fully cover the final indemnities. Product defects that lead to widespread recalls and product liability indemnities could produce large cost burdens and downgrade the valuation of AISIN. This would subsequently hamper sales and could negatively impact AISIN's performance and financial position.

## **(8) Effects of Disaster and Power Blackouts**

AISIN conducts regular disaster prevention and equipment checks to minimize the adverse effects of a halt in production line operations. However, there is no guarantee that AISIN can fully prevent or lessen the effects of a disaster, power blackout or other such events that may cause discontinuation of operations at a production facility. For example, the majority of AISIN's domestic factories are located in the Chubu region of Japan. Consequently, a large-scale earthquake in the Chubu region or other events that may halt operations could negatively impact AISIN's performance and financial position.

## Consolidated Five-year Financial Summary

AISIN SEIKI CO., LTD. and Its Subsidiaries  
Years ended March 31

	Millions of Yen				
	2003	2004	2005	2006	2007
Net Sales	¥ 1,408,013	¥ 1,605,252	¥ 1,829,065	¥ 2,120,589	<b>¥ 2,378,612</b>
Domestic Sales	1,103,980	1,208,312	1,269,497	1,406,585	<b>1,520,082</b>
Overseas Sales	304,033	396,940	559,568	714,004	<b>858,530</b>
Operating Income	80,601	86,768	95,111	118,097	<b>131,034</b>
Net Income	47,994	34,719	46,719	61,096	<b>66,890</b>
Total Assets	1,224,311	1,382,585	1,503,314	1,853,459	<b>2,037,896</b>
Net Assets	428,602	506,261	552,753	678,881	<b>955,853</b>
Common Stock	41,140	45,049	45,049	45,049	<b>45,049</b>
Capital Expenditures (Cash Flows)	115,355	147,586	162,328	218,753	<b>224,434</b>
Depreciation and Amortization	86,350	97,564	105,969	123,034	<b>145,277</b>
R&D Expenses	80,075	89,076	95,545	95,149	<b>103,750</b>
Return on Equity (ROE)	11.2%	7.4%	8.8%	9.9%	<b>9.3%</b>

Per Share of Common Stock	Yen				
	2003	2004	2005	2006	2007
Net Income — Basic	¥ 171.98	¥ 126.11	¥ 159.94	¥ 209.15	<b>¥ 233.03</b>
Net Income — Diluted	161.28	118.38	159.77	208.86	<b>232.71</b>
Net Assets	1,612.96	1,771.12	1,928.58	2,361.66	<b>2,662.78</b>
Cash Dividends	15.00	18.00	24.00	32.00	<b>40.00</b>
Average Number of Shares (in thousands)	273,747	267,404	285,807	286,628	<b>287,039</b>
Equity to Assets Ratio	35.0%	36.6%	36.8%	36.6%	<b>37.2%</b>
Number of Employees	44,132	47,616	53,237	59,587	<b>66,383</b>

### Notes:

- Income per share of common stock is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period, and net assets per share of common stock is calculated based on the number of shares outstanding at year-end.
- Effective beginning the year ended March 31, 2005, the "Accounting Standards for Net Income per Share (Corporate Accounting Standard No. 2)" and "Guidelines for the Application of Accounting Standards for Net Income Per Share (Guidelines for the Application of Corporate Accounting Standards No. 4)" issued by the Accounting Standards Board of Japan on September 25, 2002 have been applied.
- Effective beginning the year ended March 31, 2007, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Corporate Accounting Standard No. 5)" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8)" issued by the Accounting Standards Board of Japan on December 9, 2005 have been applied.
- Scope of consolidation for the fiscal year ended March 31, 2007  
Consolidated subsidiaries (total 141 companies):
 

<ul style="list-style-type: none"> <li>• Aisin Takaoka Co., Ltd.</li> <li>• Aisin Chemical Co., Ltd.</li> <li>• Aisin AW Co., Ltd.</li> <li>• Aisin Living Planner Co., Ltd.</li> <li>• Aisin Keikinzoku Co., Ltd.</li> <li>• Aisin Sinwa Co., Ltd.</li> <li>• Aisin Development Co., Ltd.</li> <li>• Aisin Kiko Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Aisin AI Co., Ltd.</li> <li>• Aisin Sin'ei Co., Ltd.</li> <li>• Aisin AW Industries Co., Ltd.</li> <li>• Hosei Brake Industry Co., Ltd.</li> <li>• ADVICS Co., Ltd.</li> <li>• Aisin Holdings of America, Inc.</li> <li>• Aisin World Corp. of America</li> <li>• Aisin Automotive Casting, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Aisin U.S.A. Mfg., Inc.</li> <li>• AW North Carolina, Inc.</li> <li>• Aisin Drivetrain, Inc.</li> <li>• ADVICS Manufacturing Ohio, Inc.</li> <li>• Aisin Europe S.A.</li> <li>• AW Europe S.A.</li> <li>• Elite Sewing Machine Mfg., Co., Ltd.</li> <li>• Tangshan Aisin Gear Co., Ltd.</li> </ul>
<ul style="list-style-type: none"> <li>• Aisin Brake &amp; Chassis, Inc.</li> <li>• Aisin Mfg. Illinois, LLC</li> <li>• Aisin Automotive Casting Tennessee, Inc.</li> <li>• ADVICS North America Inc.</li> <li>• Tangshan Aisin Automotive Parts Co., Ltd.</li> <li>• Siam Aisin Co., Ltd.</li> <li>and others</li> </ul>		

Affiliates accounted for by the equity method (total 12 companies)

- Etedy Corporation
- Etedy America Corporation
- Cataler Corporation and others

- The number of consolidated subsidiaries and affiliates accounted for by the equity method is as follows.

	2003	2004	2005	2006	2007
Consolidated subsidiaries	106	114	122	132	<b>141</b>
Affiliates accounted for by the equity method	14	14	14	14	<b>12</b>

## Consolidated Balance Sheets

AISIN SEIKI CO., LTD. and Its Subsidiaries  
Years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 136,307	¥ 128,213	\$ 1,155
Short-term investments	15,652	8,701	133
Trade notes and accounts receivable	363,726	336,865	3,080
Inventories (Note 7)	168,763	148,782	1,430
Deferred tax assets (Note 18)	48,387	42,842	410
Other current assets	35,266	30,403	298
Less: allowance for doubtful accounts	(732)	(1,776)	(6)
<b>Total current assets</b>	<b>767,369</b>	694,030	<b>6,500</b>
<b>Investments and other assets:</b>			
Investments in securities (Notes 5, 6, 8)	357,422	319,717	3,028
Long-term loans	4,260	4,314	36
Deferred tax assets (Note 18)	24,229	21,451	205
Other	45,912	36,638	389
Less: allowance for doubtful accounts	(489)	(455)	(4)
<b>Total investments and other assets</b>	<b>431,334</b>	381,665	<b>3,654</b>
<b>Property, plant and equipment, at cost:</b>			
Land	88,412	85,321	749
Buildings and structures	503,781	460,024	4,268
Machinery and equipment	1,541,852	1,416,188	13,061
Construction in progress	48,302	60,482	409
Total property, plant and equipment	2,182,347	2,022,015	18,487
Less: accumulated depreciation	(1,343,154)	(1,244,251)	(11,378)
Net property, plant and equipment (Note 8)	839,193	777,764	7,109
<b>Total fixed assets</b>	<b>1,270,527</b>	1,159,429	<b>10,763</b>
<b>Total assets</b>	<b>¥ 2,037,896</b>	¥ 1,853,459	<b>\$17,263</b>

Note: The accompanying notes are an integral part of these financial statements.

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 16)	¥ 30,519	¥ 46,888	\$ 259
Trade notes and accounts payable	359,873	327,177	3,048
Current portion of bonds payable (Note 16)	15,000	150	127
Other payables	47,908	70,517	406
Accrued expenses	130,345	117,499	1,104
Accrued income taxes	41,647	31,783	353
Deposits received from employees	16,883	16,781	143
Accrued warranty cost	16,133	14,462	137
Other current liabilities	20,762	13,843	175
<b>Total current liabilities</b>	<b>679,070</b>	<b>639,100</b>	<b>5,752</b>
<b>Long-term liabilities:</b>			
Bonds payable (Note 16)	20,000	35,500	169
Long-term debt (Note 16)	221,076	176,811	1,873
Allowance for employee retirement benefits (Note 17)	79,794	78,228	676
Allowance for retirement and severance benefits for directors and corporate auditors	7,185	6,523	61
Long-term accrued expenses	1,052	2,542	9
Deferred tax liabilities (Note 18)	72,627	63,609	615
Negative goodwill	122	82	1
Other long-term liabilities	1,117	—	10
<b>Total long-term liabilities</b>	<b>402,973</b>	<b>363,295</b>	<b>3,414</b>
<b>Total liabilities</b>	<b>1,082,043</b>	<b>1,002,395</b>	<b>9,166</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>—</b>	<b>172,183</b>	<b>—</b>
<b>Net assets: (Notes 13, 21):</b>			
Common stock, no par value:			
Authorized: 700,000,000 shares			
Issued: 294,674,634 shares in 2007 and 2006	45,049	45,049	382
Capital surplus	57,891	63,263	490
Retained earnings	501,010	445,241	4,244
Less: treasury stock, at cost	(1,568)	(1,821)	(13)
<b>Total shareholders' equity</b>	<b>602,382</b>	<b>551,732</b>	<b>5,103</b>
Net unrealized gain on available-for-sale securities	145,136	123,721	1,229
Profit & loss of deferral hedge accounting	(668)	—	(6)
Foreign currency translation adjustments	11,893	3,428	102
<b>Total evaluation and conversion difference</b>	<b>156,361</b>	<b>127,149</b>	<b>1,325</b>
Subscription warrant	168	—	1
Minority interests in consolidated subsidiaries	196,942	—	1,668
<b>Total net assets</b>	<b>955,853</b>	<b>678,881</b>	<b>8,097</b>
<b>Total liabilities and net assets</b>	<b>¥ 2,037,896</b>	<b>¥ 1,853,459</b>	<b>\$ 17,263</b>



## Consolidated Statements of Changes in Net Assets

AISIN SEIKI CO., LTD. and Its Subsidiaries  
Years ended March 31, 2007 and 2006

### FY2007

	Millions of Yen				Total Shareholders' Equity
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2006	¥45,049	¥63,263	¥445,241	¥(1,821)	¥551,732
Increase (decrease) in FY2007					
Dividends paid			(9,958)		(9,958)
Bonus of directors and corporate auditors			(1,163)		(1,163)
Net income			66,890		66,890
Change according to internal dealings of common stock for treasury		(6,058)		(445)	(6,503)
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		686		717	1,403
Net change of items other than shareholders' equity					
Total changes in the term	—	(5,372)	55,769	253	50,650
<b>Balance as of March 31, 2007</b>	<b>¥45,049</b>	<b>¥57,891</b>	<b>¥501,010</b>	<b>¥(1,568)</b>	<b>¥602,382</b>

	Millions of Yen						Total Net Assets
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2006	¥123,721	¥ —	¥ 3,428	¥127,149	¥ —	¥172,183	¥851,064
Increase (decrease) in FY2007							
Dividends paid							(9,958)
Bonus of directors and corporate auditors							(1,163)
Net income							66,890
Change according to internal dealings of common stock for treasury						(1,810)	(8,313)
Purchase of treasury stock							(19)
Disposal of treasury stock							1,403
Net change of items other than shareholders' equity	21,415	(668)	8,465	29,212	168	26,569	55,949
Total changes in the term	21,415	(668)	8,465	29,212	168	24,759	104,789
<b>Balance as of March 31, 2007</b>	<b>¥145,136</b>	<b>¥(668)</b>	<b>¥11,893</b>	<b>¥156,361</b>	<b>¥168</b>	<b>¥196,942</b>	<b>¥955,853</b>

	Millions of U.S. Dollars				Total Shareholders' Equity
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2006	\$382	\$535	\$3,772	\$(15)	\$4,674
Increase (decrease) in FY2007					
Dividends paid			(84)		(84)
Bonus of directors and corporate auditors			(10)		(10)
Net income			566		566
Change according to internal dealings of common stock for treasury		(51)		(4)	(55)
Purchase of treasury stock					(0)
Disposal of treasury stock		6		6	12
Net change of items other than shareholders' equity					
Total changes in the term	—	(45)	472	2	429
<b>Balance as of March 31, 2007</b>	<b>\$382</b>	<b>\$490</b>	<b>\$4,244</b>	<b>\$(13)</b>	<b>\$5,103</b>

	Millions of U.S. Dollars						Total Net Assets
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2006	\$1,048	\$—	\$ 29	\$1,077	\$—	\$1,458	\$7,209
Increase (decrease) in FY2007							
Dividends paid							(84)
Bonus of directors and corporate auditors							(10)
Net income							566
Change according to internal dealings of common stock for treasury						(15)	(70)
Purchase of treasury stock							(0)
Disposal of treasury stock							12
Net change of items other than shareholders' equity	181	(6)	73	248	1	225	474
Total changes in the term	181	(6)	73	248	1	210	888
<b>Balance as of March 31, 2007</b>	<b>\$1,229</b>	<b>\$(6)</b>	<b>\$102</b>	<b>\$1,325</b>	<b>\$1</b>	<b>\$1,668</b>	<b>\$8,097</b>

FY2006

	Millions of Yen				
	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2005	¥45,049	¥63,061	¥392,836	¥(3,116)	¥497,830
Increase (decrease) in FY2006					
Dividends paid			(7,664)		(7,664)
Bonus of directors and corporate auditors			(1,027)		(1,027)
Net income			61,096		61,096
Change according to internal dealings of common stock for treasury					
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock		202		1,319	1,521
Net change of items other than shareholders' equity					
Total changes in the term	—	202	52,405	1,295	53,902
Balance as of March 31, 2006	¥45,049	¥63,263	¥445,241	¥(1,821)	¥551,732

	Millions of Yen						
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	Total Net Assets
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2005	¥ 66,597	¥—	¥(11,675)	¥ 54,923	¥—	¥145,693	¥698,446
Increase (decrease) in FY2006							
Dividends paid							(7,664)
Bonus of directors and corporate auditors							(1,027)
Net income							61,096
Change according to internal dealings of common stock for treasury							
Purchase of treasury stock							(24)
Disposal of treasury stock							1,521
Net change of items other than shareholders' equity	57,124	—	15,103	72,226	—	26,490	98,716
Total changes in the term	57,124	—	15,103	72,226	—	26,490	152,618
Balance as of March 31, 2006	¥123,721	¥—	¥ 3,428	¥127,149	¥—	¥172,183	¥851,064

Note: The accompanying notes are an integral part of these financial statements.



## Consolidated Statements of Cash Flows

AISIN SEIKI CO., LTD. and Its Subsidiaries  
Years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 134,287	¥ 125,097	\$ 1,138
Adjustment for:			
Depreciation and amortization	145,277	123,034	1,231
Increase in allowance for retirement benefits	1,538	3,192	13
(Decrease)Increase in allowance for retirement and severance benefits for directors and corporate auditors	648	(407)	5
Interest and dividend income	(4,736)	(3,926)	(40)
Interest expenses	3,546	2,581	30
Investment profit on equity method	(6,303)	(5,542)	(53)
Loss on disposal of property, plant and equipment	5,688	3,717	48
Increase in trade notes and accounts receivable	(20,737)	(46,720)	(176)
Increase in inventories	(14,424)	(23,493)	(122)
Increase in trade notes and accounts payable	26,187	59,048	222
Increase in prepaid pension expense	(1,743)	(1,429)	(15)
Decrease in long-term accrued expenses	—	(6,545)	—
Others	974	(5,721)	8
Subtotal	270,202	222,886	2,289
Interest and dividend income received	5,753	4,748	49
Interest paid	(2,814)	(2,498)	(24)
Income taxes paid	(44,739)	(39,420)	(379)
<b>Net cash provided by operating activities</b>	<b>228,402</b>	<b>185,716</b>	<b>1,935</b>
<b>Cash flows from investing activities:</b>			
Increase (Decrease) in time deposit and short-term investments	(6,576)	10,075	(56)
Payments for purchase of property, plant and equipment	(224,434)	(218,753)	(1,901)
Proceeds from sales of property, plant and equipment	7,850	4,113	66
Payments for purchase of investments in securities	(11,708)	(9,433)	(99)
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	(2,086)	—	(18)
Proceeds from sales of investments in securities	1,396	2,506	12
Proceeds from redemption at maturity of investments in securities	5,496	1,086	47
Payments for loans made	(1,400)	(1,068)	(12)
Proceeds from collections of loans	938	1,009	8
Others	(6,091)	(5,031)	(51)
<b>Net cash used in investing activities</b>	<b>(236,615)</b>	<b>(215,496)</b>	<b>(2,004)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(5,299)	(22,598)	(44)
Proceeds from long-term debt	50,209	65,187	425
Repayments of long-term debt	(18,995)	(7,688)	(161)
Proceeds from issuance of bonds payable	—	10,000	—
Repayments of bonds payable	(650)	—	(6)
Contributions from minority shareholders	52	671	0
Cash dividends paid	(9,953)	(7,660)	(84)
Cash dividends paid to minority shareholders	(3,664)	(2,569)	(31)
Proceeds from sales of treasury stocks	1,695	1,521	14
Payments for purchase of treasury stocks	(34)	(30)	(0)
<b>Net cash provided by financing activities</b>	<b>13,361</b>	<b>36,834</b>	<b>113</b>
<b>Translation adjustment of cash and cash equivalents</b>	<b>2,946</b>	<b>4,758</b>	<b>25</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,094</b>	<b>11,812</b>	<b>69</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>128,213</b>	<b>116,401</b>	<b>1,086</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 136,307</b>	<b>¥ 128,213</b>	<b>\$ 1,155</b>

Note: The accompanying notes are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

AISIN SEIKI CO., LTD. and its Subsidiaries  
Years ended March 31, 2007 and 2006

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by AISIN SEIKI CO., LTD. ("Aisin Seiki") and its subsidiaries (together, "AISIN") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from consolidated financial statements prepared by Aisin Seiki as required by the Securities and Exchange Law of Japan and submitted to the Director of the Kanto Local Finance Bureau of Japan.

## 2. U.S. Dollar Amounts

Amounts in United States dollars included herein are solely for convenience. The translation should not be construed as representations that Japanese yen have been, could have been, or may in the future be, converted into United States dollars. The exchange rate at March 31, 2007 of ¥118.05=US\$1 has been used in the translation.

## 3. Reclassification

Certain comparative figures have been reclassified to conform with the current year's presentations.

## 4. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements include the accounts of Aisin Seiki and all of its subsidiaries, specifically 141 subsidiaries (64 domestic subsidiaries and 77 overseas subsidiaries) in fiscal 2007 and 132 subsidiaries (61 domestic subsidiaries and 71 overseas subsidiaries) in fiscal 2006. For the year ended March 31, 2007, 10 subsidiaries were newly added to the scope of consolidation and one subsidiary has been removed from the scope of consolidation. All significant intercompany accounts and transactions and unrealized profit among the companies, if any, have been eliminated in consolidation.

Most of Aisin Seiki's overseas subsidiaries close their books at December 31 every year, three months earlier than Aisin Seiki.

Since fiscal 2006, CVTEC Co., Ltd. changed its fiscal year-end from December 31 to March 31, and Aisin Seiki consolidated their 15-month results. Also AD Nobi Co., Ltd. and AD Sunutopia Co., Ltd. changed their fiscal year-end from June 30 to March 31, and Aisin Seiki consolidated their 9-month results. Overseas subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan.

Goodwill is amortized over five years from the occurred period. In cases where the amount is not significant, it is charged to income as incurred. Assets and liabilities of subsidiaries are revalued at their fair value as of the date of acquisition of control based on the full fair value method.

## (2) Investments in Affiliates

The investments in all affiliates (12 companies in 2007, 14 companies in 2006) are accounted for by the equity method.

## (3) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, all highly liquid debt instruments with original maturities of three months or less are considered as cash equivalents.

## (4) Financial Instruments

### (a) Securities

AISIN does not have trading securities, which are held for the purpose of generating profits on short-term differences in prices, or held-to-maturity debt securities, which AISIN intends to hold to maturity. Other securities with readily determinable fair values are stated at fair value.

Net unrealized gains or losses on these securities are included in "Net unrealized gain on available-for-sale securities" as a separate component of net assets at a net-of-tax amount. Gains and losses on disposition of such securities are computed by the moving-average method.

Other securities without readily determinable fair values are stated at cost, as computed by moving-average method.

### (b) Derivatives

All derivatives, except for hedging instruments, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

The derivatives designated as hedging instruments by AISIN are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable, loans, securities and long-term debt. AISIN has a policy to utilize the above hedging instruments in order to reduce the exposure to risk with regard to interest rate and exchange rate fluctuations. Thus, AISIN's purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

AISIN evaluates the effectiveness of its hedging activities by comparing to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

## (5) Inventories

Finished products, work in process and supplies (excluding steel supplies and fuel) are mainly stated at cost, as determined by the periodic average method. Raw materials, steel supplies and fuel are mainly stated at the lower of cost, as determined by the last-in, first-out method, or market.

## (6) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed mainly by the declining balance method at rates based on the useful lives and residual values of the assets stipulated by the tax law in Japan. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

**(7) Accounting for Finance Leases**

Where finance leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of Aisin Seiki and its domestic subsidiaries is not capitalized and the relating rental and lease expenses are charged to income as incurred.

**(8) Allowance for Employee Retirement Benefits**

AISIN accrues an amount which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of year.

**(9) Allowance for Retirement and Severance Benefits for Directors and Corporate Auditors**

AISIN provides for the accrued cost of retirement benefits payable to directors, managing officers and corporate auditors at an amount equivalent to 100 percent of such benefits for which AISIN would be required to pay based on an internal rule regarding the directors' retirement benefits.

**(10) Allowance for Doubtful Accounts**

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit losses for doubtful or troubled receivables and a general reserve for other receivables calculated based on historical loss experience for a certain past period.

**(11) Accrued Warranty Cost**

Accrued warranty cost has been provided for at the aggregate amount of the estimated claim incurred in the warranty period based on historical experience.

**(12) Accrued Bonuses for Directors and Officers**

AISIN provides for the accrued cost of bonuses payable to directors and managing officers at an amount which is considered to be incurred in the period.

On November 29, 2005, the Accounting Standards Board of Japan issued "Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No 4)." AISIN adopted the standard for the year ended March 31, 2007.

As a result, income before income taxes and minority interest decreased ¥1.7 billion.

And at "Geographical Information" under "Segment Information," operating income in the geographical segment "Japan" decreased by the same amount.

In the financial statement of the previous year, bonuses to directors and corporate auditors had been recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. Bonuses paid to directors and corporate auditors had been recorded as a part of the appropriation of retained earnings, instead of being charged to income, as permitted by Japanese accounting standards.

**(13) Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of

income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

**(14) Translation of Financial Statements of Consolidated Foreign Subsidiaries and Affiliates**

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates at the fiscal year-end.

Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. And revenues and expenses have been translated at the average exchange rates.

Translation differences, after allocating to minority interest for portions attributable to minority interest, are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheets.

**(15) Per Share Data**

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed as if warrants or stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by Aisin Seiki, as applicable to the respective years.

**(16) Presentation of Net Assets in the Balance Sheet**

Effective beginning the year ended March 31, 2007, AISIN has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5, December 9, 2005)" and "Guidance on accounting standard for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005)." The total amount for what had been referred to as "Shareholders' Equity" is equivalent to ¥759,411 million.

As a result, minority interests in subsidiaries, which were disclosed as a separate component between liabilities and net assets in the consolidated balance sheets in the prior year are disclosed as a line item under net assets in the fiscal year under review.

### (17) Share-based Payment

Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Statement No. 8, December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Guidance No. 11, final revision on May 31, 2006). As a result, operating income, ordinary income, and income before income taxes and minority interest decreased by ¥167 million, respectively. The effect on "Segment Information" is provided separately.

### (18) Business Combinations and Business Divestitures

Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7, December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, December 27, 2005). As a result, operating income decreased by ¥98 million.

There have been no effect on ordinary income or income before income taxes and minority interest. The effect on "Segment Information" is provided separately.

## 5. Marketable Securities

Marketable investment securities are classified as other than trading or held-to-maturity, that is to say, available-for-sale securities, and are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized.

As of March 31, 2007 and 2006, gross unrealized gains and losses for marketable securities included in short-term investments and investments in securities are summarized as follows:

### (1) Marketable Securities Classified as Other Securities

	Millions of Yen		
	2007		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	<b>¥45,834</b>	<b>¥285,455</b>	<b>¥239,621</b>
Bonds			
Government	<b>10,004</b>	<b>10,024</b>	<b>20</b>
Corporate	<b>500</b>	<b>508</b>	<b>8</b>
Others	<b>81</b>	<b>81</b>	<b>0</b>
Subtotal	<b>56,419</b>	<b>296,068</b>	<b>239,649</b>
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	<b>1</b>	<b>1</b>	<b>(0)</b>
Bonds			
Government	<b>7,324</b>	<b>7,297</b>	<b>(27)</b>
Corporate	<b>3,158</b>	<b>3,142</b>	<b>(16)</b>
Others	<b>3,890</b>	<b>3,889</b>	<b>(1)</b>
Subtotal	<b>14,373</b>	<b>14,329</b>	<b>(44)</b>
Total	<b>¥70,792</b>	<b>¥310,397</b>	<b>¥239,605</b>

	Millions of U.S. Dollars		
	2007		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	<b>\$388</b>	<b>\$2,418</b>	<b>\$2,030</b>
Bonds			
Government	<b>85</b>	<b>85</b>	<b>0</b>
Corporate	<b>4</b>	<b>4</b>	<b>0</b>
Others	<b>1</b>	<b>1</b>	<b>0</b>
Subtotal	<b>478</b>	<b>2,508</b>	<b>2,030</b>
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	<b>0</b>	<b>0</b>	<b>(0)</b>
Bonds			
Government	<b>62</b>	<b>62</b>	<b>(0)</b>
Corporate	<b>27</b>	<b>27</b>	<b>(0)</b>
Others	<b>33</b>	<b>33</b>	<b>(0)</b>
Subtotal	<b>122</b>	<b>122</b>	<b>(0)</b>
Total	<b>\$600</b>	<b>\$2,630</b>	<b>\$2,030</b>

	Millions of Yen		
	2006		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	¥45,880	¥254,030	¥208,150
Bonds			
Government	3,602	3,612	10
Corporate	1,599	1,602	3
Others	61	61	—
Subtotal	51,142	259,305	208,163
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	1	1	(0)
Bonds			
Government	8,887	8,798	(89)
Corporate	2,204	2,185	(19)
Others	158	158	(0)
Subtotal	11,250	11,142	(108)
Total	¥62,392	¥270,447	¥208,055

### (2) Sales of Securities Classified as Other Securities

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Proceeds from sales	<b>¥1,396</b>	¥2,506	<b>\$12</b>
Gains on sales	<b>550</b>	326	<b>5</b>
Losses on sales	<b>1</b>	18	<b>0</b>

### (3) Contents and Carrying Amounts of Securities without Readily Determinable Fair Value

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Other Securities			
Unlisted stocks	<b>¥ 8,433</b>	¥ 9,428	<b>\$71</b>
Money management funds	<b>26,348</b>	22,513	<b>223</b>
Bonds, others	<b>1,620</b>	3,273	<b>14</b>

#### (4) Redemption Schedule for Securities with Maturity Dates Classified as Other Securities

	Millions of Yen			
	2007			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	¥ 5,023	¥10,312	¥1,987	—
Corporate	1,846	1,803	—	—
Others	110	—	—	—
Others	5,296	33	—	—
Total	¥12,275	¥12,148	¥1,987	—

	Millions of U.S. Dollars			
	2007			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	\$ 43	\$ 88	\$17	—
Corporate	16	15	—	—
Others	1	—	—	—
Others	44	0	—	—
Total	\$104	\$103	\$17	—

	Millions of Yen			
	2006			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	¥4,799	¥5,670	¥1,941	—
Corporate	1,850	1,937	—	—
Others	3,273	—	—	—
Others	—	41	—	—
Total	¥9,922	¥7,648	¥1,941	—

#### 6. Investments in Affiliates

The amounts of investments in affiliates included in investments in securities and other assets as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
	Investments in securities	¥49,247	¥46,491
Other assets	1,176	1,165	10

#### 7. Inventories

As of March 31, 2007 and 2006, inventories consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
	Finished products	¥ 74,825	¥ 67,097
Work in process	40,092	36,025	340
Raw materials and supplies	53,846	45,660	456
Total	¥168,763	¥148,782	\$1,430

#### 8. Assets Pledged as Collateral

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Investments in securities	¥19,716	¥20,826	\$167
Property, plant and equipment (at net book value)	2,375	5,719	20
Other investments	628	775	5
Total	¥22,719	¥27,320	\$192

#### 9. Contingent Liabilities

Total contingent liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Guarantee of bank loans of			
Employees	¥ 26	¥ 37	\$0
Others	319	1,957	3
Total	¥345	¥1,994	\$3

#### 10. Advanced Depreciation of Fixed Assets Acquired with Government Subsidies

AISIN has applied advanced depreciation of fixed assets that have been acquired with government subsidies. For the year ended March 31, 2007, the advanced depreciation amounts directly deducted from the acquisition cost of property, plant and equipment were ¥181 million for buildings and structures, ¥626 million for machinery and vehicles, and ¥5 million for equipment.

#### 11. Advanced Depreciation of Fixed Assets Acquired with Insurance Proceeds

AISIN has applied advanced depreciation of fixed assets that have been acquired with insurance proceeds. For the year ended March 31, 2007, the advanced depreciation amount directly deducted from the acquisition cost of property, plant and equipment was ¥160 million for buildings and structures.

#### 12. Research and Development Expenses

Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Research and development expenses	¥103,750	¥95,148	\$879

### 13. Changes in Net Assets

The authorized number of shares of common stock was 700 million as of March 31, 2007, except in cases where there was a reduction due to a cancellation of treasury stock acquired.

#### (1) Number of Outstanding Stock

Common stock	Shares
	2007
March 31, 2006	294,674,634
Increase	—
Decrease	—
March 31, 2007	294,674,634

#### (2) Number of Treasury Stock

Common stock	Shares
	2007
March 31, 2006	7,701,168
Increase	—
Shares attributed to minority shareholders resulting from repurchasing from subsidiaries	2,732,297
Request for repurchase of odd-lot shares	8,757
Change in percentage of shareholding	19
Decrease	—
Exercise of stock options	698,200
Shares attributed to Aisin Seiki resulting from sales from affiliates	13,168
Request for sales of odd-lot shares	728
March 31, 2007	9,730,145

#### (3) Dividends

##### Paid Dividends

Resolution	Class of Shares	Millions of Yen	Yen	Record Date	Effective Date
		Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2006	Common stock	¥5,590	¥19.00	March 31, 2006	June 22, 2006
Board of Directors' meeting held on October 31, 2006	Common stock	4,706	16.00	September 30, 2006	November 27, 2006

Resolution	Class of Shares	Millions of U.S. Dollars	U.S. Dollars	Record Date	Effective Date
		Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2006	Common stock	\$47	\$0.16	March 31, 2006	June 22, 2006
Board of Directors' meeting held on October 31, 2006	Common stock	40	0.14	September 30, 2006	November 27, 2006

##### Dividends payable which will be effective in next period

Resolution	Class of Shares	Source	Millions of Yen	Yen	Record Date	Effective Date
			Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2007	Common stock	Retained earnings	¥6,839	¥24.00	March 31, 2007	June 22, 2007

Resolution	Class of Shares	Source	Millions of U.S. Dollars	U.S. Dollars	Record Date	Effective Date
			Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2007	Common stock	Retained earnings	\$58	\$0.20	March 31, 2007	June 22, 2007

### 14. Leases

The aggregate future minimum payments for finance leases and noncancelable operating leases as of March 31, 2007 and 2006 were as follows:

#### (1) Finance leases (as lessee) other than those where ownership is considered to be transferred to the lessee

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Due within one year	¥2,427	¥2,698	\$21
Due after one year	4,988	6,838	42
Total	7,415	9,536	63
Lease expenses for fiscal year	¥3,864	¥3,755	\$33

#### (2) Operating leases (as lessee)

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 864	¥1,199	\$ 7
Due after one year	1,705	2,133	14
Total	¥2,569	¥3,332	\$21

## 15. Derivatives

All derivatives are utilized for the hedge purpose of reducing exposure to adverse fluctuations in interest rates and foreign exchange rates. The notional amounts and the estimated fair value of the derivative transactions outstanding as of March 31, 2007 and 2006 were as follows:

### Foreign Currency Transactions

	Millions of Yen			Millions of U.S. Dollars		
	Notional Amount	Fair Value	Unrealized Gain (Loss)	Notional Amount	Fair Value	Unrealized Gain (Loss)
<b>2007</b>						
Forward exchange contracts						
Sell						
U.S. Dollars	<b>¥43,606</b>	<b>¥43,863</b>	<b>¥ (257)</b>	<b>\$370</b>	<b>\$372</b>	<b>\$ (2)</b>
Euro	<b>8,321</b>	<b>8,454</b>	<b>(133)</b>	<b>70</b>	<b>72</b>	<b>(2)</b>
New Taiwan Dollars	<b>347</b>	<b>343</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>0</b>
Thai Baht	<b>775</b>	<b>830</b>	<b>(55)</b>	<b>7</b>	<b>7</b>	<b>(0)</b>
Buy						
U.S. Dollars	<b>1,580</b>	<b>1,576</b>	<b>(4)</b>	<b>13</b>	<b>13</b>	<b>(0)</b>
Thai Baht	<b>55</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Currency options						
Sell						
U.S. Dollars call	<b>1,181</b>	<b>12</b>	<b>(6)</b>	<b>10</b>	<b>0</b>	<b>(0)</b>
Euro call	<b>315</b>	<b>3</b>	<b>(1)</b>	<b>3</b>	<b>0</b>	<b>(0)</b>
Thai Baht call	<b>295</b>	<b>7</b>	<b>(7)</b>	<b>2</b>	<b>0</b>	<b>(0)</b>
Buy						
U.S. Dollars put	<b>1,181</b>	<b>12</b>	<b>6</b>	<b>10</b>	<b>0</b>	<b>0</b>
Euro put	<b>315</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>
Thai Baht put	<b>295</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
Currency swaps						
Receipt Yen						
Payment U.S. Dollars	<b>28,277</b>	<b>(1,142)</b>	<b>(1,142)</b>	<b>240</b>	<b>(10)</b>	<b>(10)</b>
Receipt Yen						
Payment Euro	<b>2,344</b>	<b>(376)</b>	<b>(376)</b>	<b>20</b>	<b>(3)</b>	<b>(3)</b>
Receipt Yen						
Thai Baht	<b>2,649</b>	<b>(629)</b>	<b>(629)</b>	<b>23</b>	<b>(5)</b>	<b>(5)</b>
Receipt Yen						
Payment Australian Dollars	<b>175</b>	<b>(17)</b>	<b>(17)</b>	<b>1</b>	<b>(0)</b>	<b>(0)</b>
<b>Total</b>	<b>¥91,711</b>	<b>¥52,996</b>	<b>¥(2,614)</b>	<b>\$777</b>	<b>\$449</b>	<b>\$(22)</b>

### Interest Rate Transactions

	Millions of Yen			Millions of U.S. Dollars		
	Notional Amount	Fair Value	Unrealized Gain	Notional Amount	Fair Value	Unrealized Gain
<b>2007</b>						
Interest rate swaps						
Fixed rate receipt						
Floating rate payment	<b>¥1,417</b>	<b>¥23</b>	<b>¥23</b>	<b>\$12</b>	<b>\$0</b>	<b>\$0</b>
<b>Total</b>	<b>¥1,417</b>	<b>¥23</b>	<b>¥23</b>	<b>\$12</b>	<b>\$0</b>	<b>\$0</b>

## Foreign Currency Transactions

	Millions of Yen		
	2006		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts			
Sell			
U.S. Dollars	¥32,049	¥32,261	¥ (212)
Euro	4,625	4,700	(75)
New Taiwan Dollars	1,172	1,204	(32)
Thai Baht	275	280	(5)
Buy			
U.S. Dollars	266	268	2
Currency options			
Sell			
U.S. Dollars call	1,175		
	[6]	13	(7)
U.S. Dollars put	94		
	[0]	1	0
Euro call	286		
	[1]	3	(2)
Thai Baht put	453		
	[0]	13	(13)
Buy			
U.S. Dollars put	1,175		
	[6]	12	6
U.S. Dollars call	94		
	[0]	1	1
Euro put	286		
	[1]	2	1
Thai Baht call	453		
	[0]	3	3
Currency swaps			
Receipt Yen			
Payment U.S. Dollars	15,627	(953)	(953)
Receipt Yen			
Payment Euro	2,574	(130)	(130)
Receipt Yen			
Payment Australian Dollars	175	4	4
Total	¥60,779	¥37,683	¥(1,412)

## Interest Rate Transactions

	Millions of Yen		
	2006		
	Notional Amount	Fair Value	Unrealized Gain
Interest rate swaps			
Fixed rate receipt			
Floating rate payment	¥1,410	¥21	¥21
Total	¥1,410	¥21	¥21

1. The fair values are based on the rate presented by our financial institutions, etc.
2. Derivatives for which hedge accounting is applied are excluded from this disclosure.
3. Option premiums within the consolidated balance sheets are disclosed, in brackets [ ], under the contract or notional amounts.

## 16. Bonds Payable and Borrowings

### (1) Bonds Payable

Bonds payable as of March 31, 2007 and 2006 consisted of the following:

Issued by	Item	Millions of Yen		Millions of U.S. Dollars		Annual Interest	Year of Due
		2007	2006	2007			
AISIN SEIKI	Unsecured straight bonds	¥15,000	¥15,000	\$127		2.65 %	2008
AISIN SEIKI	Unsecured straight bonds	10,000	10,000	85		0.965	2011
AISIN SEIKI	Unsecured straight bonds	10,000	10,000	85		2.00	2021
AISIN CHEMICAL	Unsecured straight bonds	—	150	—		0.59	2006
AISIN SINWA	Unsecured straight bonds	—	500	—		0.20	2009
Total		¥35,000	¥35,650	\$297			

Annual maturities of bonds payable are as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31,		
2008	¥15,000	\$127
2009	—	—
2010	—	—
2011	10,000	85
2012	—	—
2013 and thereafter	10,000	84
Total	¥35,000	\$297



**(2) Borrowings**

Borrowings as of March 31, 2007 and 2006 consisted of the following:

Item	Millions of Yen		Millions of U.S. Dollars	Annual Interest	Year of Due
	2007	2006	2007		
Short-term borrowings	¥ 24,003	¥ 28,518	\$ 203	3.19%	
Current portion of long-term debt	6,515	18,370	55	2.15	
Long-term debt	221,076	176,811	1,873	1.24	2008-2036
Total	¥251,594	¥223,699	\$2,131		

Annual maturities of long-term debt are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥ 14,099	\$ 119
2010	20,122	170
2011	6,711	57
2012	6,010	51
2013 and thereafter	174,134	1,476
Total	¥221,076	\$1,873

**17. Allowance for Employee Retirement Benefits**

AISIN has defined benefit pension plans, defined contribution pension plans and lump-sum retirement benefit plans, which substantially cover all employees.

The following table reconciles the benefit obligations and net periodic retirement benefit expense as at or for the years ended March 31, 2007 and 2006.

Component of projected benefit obligation:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥200,231	¥195,264	\$1,696
Fair value of pension plan assets at end of year	(135,368)	(126,434)	(1,147)
Projected benefit obligation in excess of pension plan assets	64,863	68,830	549
Unrecognized prior service cost	11,044	13,212	94
Less, unrecognized actuarial loss	(10,270)	(16,814)	(87)
Unrecognized pension plan assets	—	586	—
Prepaid pension cost	14,157	12,414	120
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	¥ 79,794	¥ 78,228	\$ 676

Component of net periodic retirement benefit expense:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Service cost	¥10,693	¥10,495	\$ 91
Interest cost	3,806	3,705	31
Expected return on pension plan assets	(3,209)	(2,800)	(27)
Amortization of prior service cost	(2,308)	(2,268)	(20)
Recognized actuarial differences	2,780	3,839	24
Contribution to defined contribution plan	102	105	1
Net periodic retirement benefit expense	11,864	13,076	100
Others	2,741	2,434	24
Total	¥14,605	¥15,510	\$124

Major assumptions:	2007	2006
	Method attributing the projected benefits to periods of service	<b>Point method</b>
Discount rate	<b>2.0%</b>	2.0%
Expected return on pension plan assets	<b>2.5%~3.0%</b>	2.5%~3.0%
Amortization period of prior service cost	<b>10 years</b>	10 years
Amortization of unrecognized actuarial gains or losses	<b>10 years</b>	10 years

Point method. AISIN charges to the current year periodic pension cost for the sum amount of, a) interest cost, b) service cost additionally earned as "point" that is a predetermined amount with AISIN's policy.

## 18. Deferred Income Taxes

### (1) Summary of the Components of Deferred Income Taxes

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Deferred tax assets			
Allowance for employee retirement benefits	¥ 29,267	¥29,223	\$248
Accrued expenses	31,424	28,076	266
Depreciation	18,793	14,970	159
Accrued warranty cost	6,434	5,767	55
Others	29,484	23,971	250
Deferred tax assets subtotal	115,402	102,007	978
Less valuation allowance	(6,367)	(4,263)	(54)
Deferred tax assets total	109,035	97,744	924
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	95,572	82,973	810
Special depreciation of acquired assets	1,929	2,053	16
Special depreciation reserves	1,394	1,377	12
Depreciation	9,338	8,451	79
Others	814	2,206	7
Deferred tax liabilities	109,047	97,060	924
Net deferred taxes	¥ (12)	¥ 684	\$ 0

Net deferred tax liabilities consist of the following components on the consolidated balance sheets.

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Current assets—Deferred tax assets	¥48,387	¥42,842	\$410
Investments and other assets—Deferred tax assets	24,228	21,451	205
Long-term liabilities—Deferred tax liabilities	72,627	63,609	615
Net deferred taxes	¥ (12)	¥ 684	\$ 0

### (2) Reconciliation of the Difference between the Statutory Tax Rate and the Effective Income Tax Rate

	2007	2006
Statutory tax rate	39.88%	39.88%
(Adjustment)		
Tax exempt income	(3.44)	(2.17)
Non-deductible expenses	0.43	0.49
Tax credit by tax incentives for research and development	(4.02)	(4.31)
Change in valuation allowance	0.10	0.15
Others	0.39	(1.64)
Effective income tax rate	33.34%	32.10%

## 19. Segment Information

### (1) Industry Segments

ALISIN's main business is manufacturing and sales of automotive parts. Sales, operating income and assets occupy over 90% in all segments. Therefore information of industry segment is omitted.

**(2) Geographical Information**

			Millions of Yen		Millions of U.S. Dollars
			2007	2006	2007
Sales	Japan	Customers	<b>¥1,668,563</b>	¥1,516,392	<b>\$14,134</b>
		Intersegment	<b>314,020</b>	299,071	<b>2,660</b>
		Total	<b>1,982,583</b>	1,815,463	<b>16,794</b>
	North America	Customers	<b>373,538</b>	348,156	<b>3,165</b>
		Intersegment	<b>9,143</b>	9,336	<b>77</b>
		Total	<b>382,681</b>	357,492	<b>3,242</b>
	Europe	Customers	<b>174,838</b>	142,643	<b>1,481</b>
		Intersegment	<b>6,524</b>	5,431	<b>55</b>
		Total	<b>181,362</b>	148,074	<b>1,536</b>
	Others	Customers	<b>161,673</b>	113,397	<b>1,369</b>
Intersegment		<b>8,717</b>	7,954	<b>74</b>	
Total		<b>170,390</b>	121,351	<b>1,443</b>	
Eliminations		<b>(338,404)</b>	(321,791)	<b>(2,866)</b>	
Consolidated		<b>2,378,612</b>	2,120,589	<b>20,149</b>	
Operating Costs and Expenses	Japan	<b>1,883,568</b>	1,716,253	<b>15,955</b>	
	North America	<b>374,592</b>	352,812	<b>3,173</b>	
	Europe	<b>177,452</b>	147,463	<b>1,503</b>	
	Others	<b>149,550</b>	106,747	<b>1,266</b>	
	Eliminations	<b>(337,584)</b>	(320,783)	<b>(2,858)</b>	
	Consolidated	<b>2,247,578</b>	2,002,492	<b>19,039</b>	
Operating Income	Japan	<b>99,016</b>	99,210	<b>839</b>	
	North America	<b>8,088</b>	4,680	<b>69</b>	
	Europe	<b>3,910</b>	611	<b>33</b>	
	Others	<b>20,840</b>	14,604	<b>177</b>	
	Eliminations	<b>(820)</b>	(1,008)	<b>(8)</b>	
	Consolidated	<b>131,034</b>	118,097	<b>1,110</b>	
Assets	Japan	<b>1,837,712</b>	1,696,262	<b>15,567</b>	
	North America	<b>265,183</b>	250,055	<b>2,246</b>	
	Europe	<b>99,489</b>	82,801	<b>843</b>	
	Others	<b>152,119</b>	123,071	<b>1,289</b>	
	Eliminations	<b>(316,607)</b>	(298,730)	<b>(2,682)</b>	
	Consolidated	<b>¥2,037,896</b>	¥1,853,459	<b>\$17,263</b>	

1. Geographical information is realized by geographical proximity.

Main countries are:

2007: (1) North America: U.S.A., Mexico (2) Europe: Belgium, Czech (3) Others: Thailand, China

2006: (1) North America: U.S.A., Mexico (2) Europe: Belgium, UK (3) Others: Taiwan, Thailand, China

2. Assets eliminations mainly included unallocated corporate items such as cash and cash equivalents of Aisin Seiki.

3. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No. 4, November 29, 2005)." As a result, operating income in "Japan" decreased ¥1.7 billion.

4. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Share-based Payment (Accounting Standards Board of Japan Statement No. 8, December 27, 2005)" and "Guidance on Accounting Standard for Share-based Payment (Accounting Standards Board of Japan Guidance No. 11, final revision on May 31, 2006)." As a result, operating income in "Japan" decreased ¥167 million.

5. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Business Combinations (Accounting Standards Board of Japan, October 31, 2003)," "Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Statement No. 7, December 27, 2005)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Guidance No. 10, December 27, 2005)." As a result, operating income decreased ¥98 million in "Japan" and less than ¥0 million in "Europe."

**(3) Sales****(a) Sales by Item**

			Millions of Yen		Millions of U.S. Dollars
			2007	Increase/Decrease	2006
Automotive related					
Engine related		<b>¥ 223,275</b>	¥ 25,876	¥ 197,399	<b>\$ 1,891</b>
Drivetrain related		<b>1,014,017</b>	112,373	901,644	<b>8,590</b>
Brake & chassis related		<b>468,261</b>	43,079	425,182	<b>3,967</b>
Body related		<b>433,211</b>	53,662	379,549	<b>3,670</b>
Information & other automotive related		<b>140,053</b>	16,822	123,231	<b>1,186</b>
Automotive related total		<b>2,278,817</b>	251,812	2,027,005	<b>19,304</b>
Rate to total		<b>95.8%</b>	0.2%	95.6%	<b>95.8%</b>
Life & energy related		<b>51,593</b>	(1,395)	52,988	<b>437</b>
Others		<b>48,202</b>	7,606	40,596	<b>408</b>
Grand total		<b>¥2,378,612</b>	¥258,023	¥2,120,589	<b>\$20,149</b>

**(b) Sales By Geographical Area**

			Millions of Yen		Millions of U.S. Dollars
			2007	Increase	2005
Overseas					
North America		<b>¥ 415,764</b>	¥ 38,224	¥ 377,540	<b>\$ 3,522</b>
Europe		<b>205,129</b>	31,251	173,878	<b>1,738</b>
Asia & Others		<b>237,637</b>	75,051	162,586	<b>2,013</b>
Overseas total		<b>858,530</b>	144,526	714,004	<b>7,273</b>
Rate to total		<b>36.1%</b>	2.4%	33.7%	<b>36.1%</b>
Japan		<b>1,520,082</b>	113,497	1,406,585	<b>12,877</b>
Grand total		<b>¥2,378,612</b>	¥258,023	¥2,120,589	<b>\$20,149</b>

Main countries or regions are:

2007: (1) North America: U.S.A., Mexico (2) Europe: Sweden, Germany (3) Asia & Others: Thailand, South Korea, China

2006: (1) North America: U.S.A., Mexico, Canada (2) Europe: Sweden, Germany (3) Asia & Others: Thailand, South Korea, China, Taiwan

## 20. Related Party Transactions

During the years ended March 31, 2007 and 2006, Aisin Seiki had operational transactions with Toyota Motor Corporation, which holds 23.1% of Aisin Seiki's total shares.

A summary of the significant transactions between Aisin Seiki and such a company for the years ended, or as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of
	2007	2006	U.S. Dollars
For the year:			2007
Sales of automotive parts	¥344,388	¥301,877	\$2,917
At the year-end:			
Trade accounts receivable	¥ 48,216	¥ 43,330	\$ 408

## 21. Stock-based Compensation

At the Ordinary General Meeting of Shareholders held in June 2007, shareholders approved Share Acquisition Rights, which earmark a maximum of 800,000 shares of common stock to be further distributed among directors and managing officers of Aisin Seiki, its subsidiaries and affiliates. The purpose of this is to enhance enthusiasm and raise morale for improving business performance.

The Share Acquisition Rights were granted at a predetermined exercise price, which price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant or 1.05 times the average closing price in the full calendar month prior to the month of the grant date.

Each of the Share Acquisition Rights is exercisable for the period from August 1, 2009 to July 31, 2013.

Information about the outstanding stock option plan is as follows.

Years of Approval	Number of Outstanding Shares	Exercise Price per Share	Exercise Period
2003	133,600	¥ 1,848	Aug. 1, 2005 ~ Jul. 31, 2007
2004	969,000	2,425	Aug. 1, 2006 ~ Jul. 31, 2008
2005	711,000	2,655	Aug. 1, 2007 ~ Jul. 31, 2011
2006	733,000	3,340	Aug. 1, 2008 ~ Jul. 31, 2012

## Number of Outstanding Options

Year of Approval	Shares			
	2006	2005	2004	2003
Prior to vesting				
Beginning balance	—	711,000	819,000	—
Grants	733,000	—	—	—
Exercising	1,000	1,000	—	—
Vesting	—	—	819,000	—
Ending balance	732,000	710,000	—	—
Following vesting				
Beginning balance	—	—	—	600
Vesting	—	—	819,000	—
Exercising	—	—	697,800	400
Expired	—	—	2,000	—
Ending balance	—	—	119,200	200

## Price Information

Year of Approval	Yen			
	2006	2005	2004	2003
Exercise price	¥3,340	¥2,655	¥2,425	¥1,848
Average share price at time of exercise	—	—	3,424	3,415
Fair market value on date of grant	—	—	—	—

Year of Approval	U.S. Dollars			
	2006	2005	2004	2003
Exercise price	\$28	\$22	\$21	\$16
Average share price at time of exercise	—	—	29	29
Fair market value on date of grant	—	—	—	—

During the years ended March 31, 2007 and 2006, Aisin Seiki had transactions with Motoyasu Tanaka, vice chairman of Aisin Seiki and director of Aisin Seiki Health Insurance Association. The summary of the transactions is as follows:

	Millions of Yen		Millions of
	2007	2006	U.S. Dollars
For the year:			2007
Payment of employees' health insurance expenses	¥73	¥88	\$1



**PricewaterhouseCoopers Aarata**  
JR Central Towers 33rd Floor  
1-1-4 Meieki, Nakamura-ku  
Nagoya-shi, Aichi 450-6033  
Japan  
Telephone : +81 (52) 588 3951  
Facsimile : +81 (52) 588 3952  
[www.pwc.com/jp/aarata](http://www.pwc.com/jp/aarata)

### Report of Independent Auditors

To the Board of Directors of AISIN SEIKI CO., LTD.

We have audited the accompanying consolidated balance sheet of AISIN SEIKI CO., LTD. ("the Company") and its subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

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

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 Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

*PricewaterhouseCoopers Aarata*

July 13, 2007

# Investor Information

As of March 31, 2007  
AISIN SEIKI CO., LTD.

## Stock and Number of Shareholders

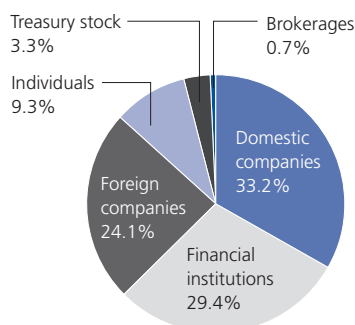
Common Stock	Authorized—700,000,000 shares Issued—294,674,634 shares
Stock Listings	Tokyo, Osaka, Nagoya
Ticker Symbol Number	7259
Trading Unit	100 shares
Number of Shareholders	27,580

## Major Shareholders (Top 10)

	Number of shares (Thousand shares)	% of voting shares
Toyota Motor Corporation	65,558	23.0
Toyota Industries Corporation	19,658	6.9
Japan Trustee Services Bank, Ltd.	16,017	5.6
The Master Trust Bank of Japan, Ltd.	12,991	4.6
State Street Bank and Trust Company	9,076	3.2
Trust & Custody Services Bank, Ltd.	7,602	2.7
Nippon Life Insurance Company	7,186	2.5
Towa Real Estate Co., Ltd.	6,344	2.2
Mitsui Sumitomo Insurance Co., Ltd.	5,902	2.1
Sompo Japan Insurance Inc.	5,855	2.1

\* The Company holds 9,696,000 shares of treasury stock.

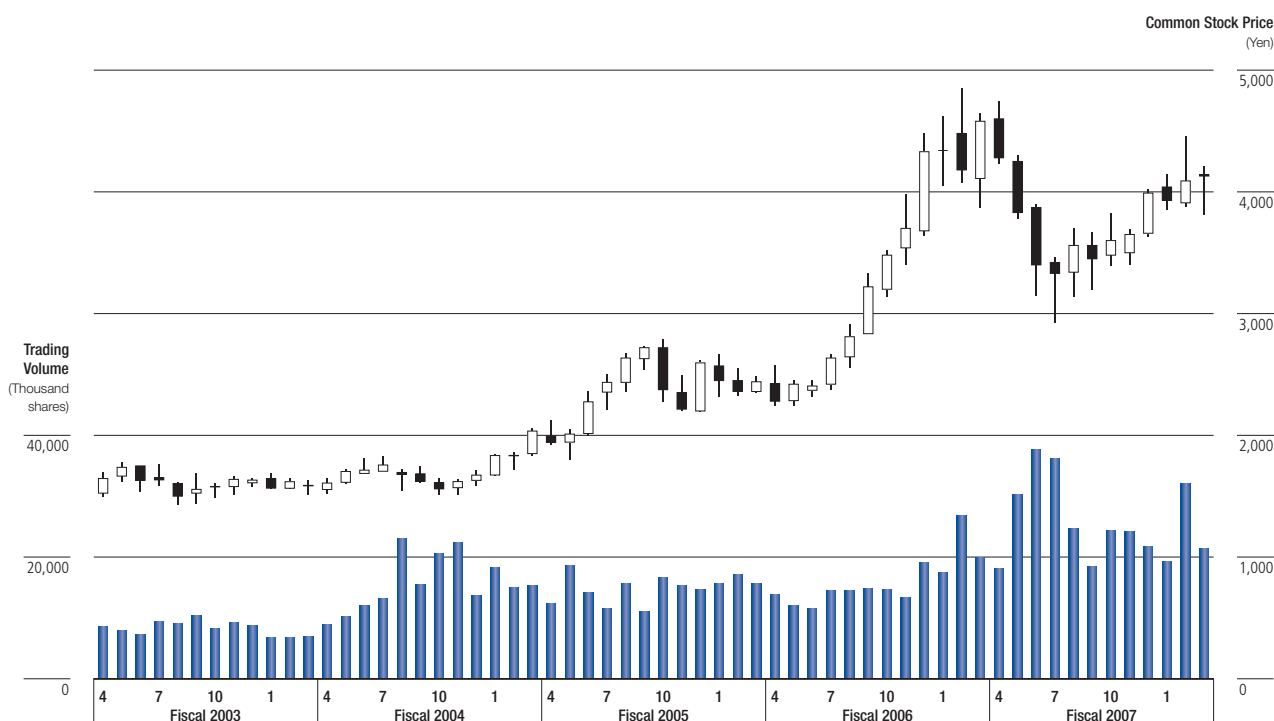
## Distribution of Shares



## Cash Dividends

FY	2002	2003	2004	2005	2006
Interim (yen)	6.5	8.0	10.0	13.0	16.0
Year-end (yen)	8.5	10.0	14.0	19.0	24.0
Total (yen)	15.0	18.0	24.0	32.0	40.0

## Common Stock Price and Trading Volume on the Tokyo Stock Exchange



For further information, please contact:

Public Affairs Department  
Aisin Seiki Co., Ltd.

TEL: +81-566-24-8231



A-(1)-060001



認定番号 K0301090

