

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries Aisin AW Co., Ltd., etc.
Total: 136 companies (Japan: 61 companies, Overseas: 75 companies)
(Main companies are mentioned in "Overview of Associated Companies.")

2. Scope of Equity method

Affiliates accounted for under equity method Exedy Corporation, etc.
Total: 14 companies (Japan: 10 companies, Overseas: 4 companies)

3. Changes in scope of Consolidation and Equity method

(1) Consolidated subsidiaries (Added) Aisin Chemical Indiana, LLC., etc.
Total: 3 companies (Overseas)

(2) Consolidated subsidiaries (Added from Affiliates accounted for under equity method)
PT. Aisin Indonesia 1 company (Overseas)

(3) Affiliates accounted for under equity method (Added)
Noubi Co., Ltd. 1 company (Japan)

(4) Affiliates accounted for under equity method (Excluded to Consolidated subsidiaries)
PT. Aisin Indonesia 1 company (Overseas)

4. Half year end of Consolidated subsidiaries

Of Consolidated subsidiaries, 70 companies in total, Aisin Holdings of America, Inc. and other subsidiaries, sets its half year end on Jun. 30. Since the difference of interim closing date between its subsidiaries and AISIN consolidation does not vary more than three months, AISIN coordinates material transactions that occurred in the term between the consolidated half year end according to "The Rule of Interim Consolidated Financial Statements."

5. Significant Accounting Policies

(1) Valuation of Significant assets

Marketable Securities

Other Securities

with readily determinable fair values

..... Mainly fair value method using market price at interim closing date
(Unrealized gains and losses are recorded as a portion of shareholders' equity.
Sales cost of marketable securities is determined by the moving average method.)

without readily determinable fair values

..... Mainly at cost, as computed by moving-average method

Derivative Market value method

Inventories

Finished products, work in process and supplies (excluding steel supplies and fuel)

..... Mainly at cost, as determined by the periodic average method

Supplies (steel supplies and fuel) and raw materials

..... Mainly at the lower of cost, as determined by the last-in, first-out method, or market

(2) Depreciation and Amortization

Depreciation expenses of Property, Plant and Equipment are computed mainly by the declining-balance method. Amortization of Intangible Assets is computed by the straight-line method.

(3) Significant Allowance

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.

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.

Allowance for Employees Retirement Benefits

For the purpose of preparation for future payment of employees' 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.

AISIN provides for the accrued cost (¥6,491 million) of retirement benefits payable to directors (including managing officers) 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.

This is recorded including in Allowance for Employees Retirement Benefits.

(4) Accounting for Finance Leases

Non-cancelable lease transactions are accounted for as operating leases, except those lease agreements that stipulate the transfer of ownership of the lease assets to the lessee, which are accounted for as finance leases.

(5) Hedge Accounting method

The deferral method of hedge accounting is applied. For forward exchange contracts, unrealized gain or loss is deferred as an asset or liability when the criteria for deferral hedge accounting are met, while for interest rate swaps that meet certain conditions, the short-cut method is applied.

(6) The Consumption Tax

The Consumption Tax is computed based on the net-of-tax method.

6. Scope of Cash and Cash Equivalents on the Consolidated Statements of Cash Flows

Cash and Cash Equivalents on the Consolidated Statements of Cash Flows include cash on hand, bank deposits to be withdrawn at any time and short-term investment with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of in fair value.

[Changes in Accounting Standards]

(Accounting standard for directors' bonus)

Effective from FY2007 Half year ended Sep. 30, 2006, AISIN adopted "Accounting standard for directors' bonus" (Accounting Standards Board of Japan Statement No. 4, issued by the Accounting Standards Board of Japan on Nov. 29, 2005). As a result of the adoption, income before income taxes and minority interest decreased ¥782 million.

And at "Geographical Segments" of "Segment Information," Operating income of Japan decreased the same amount.

(Accounting standard and guidance presentation of net assets in the balance sheet)

Effective from FY2007 Half year ended Sep. 30, 2006, AISIN adopted "Accounting standard for presentation of net assets in the balance sheet" (Accounting Standards Board of Japan Statement No. 5, issued by the Accounting Standards Board of Japan on Dec. 9, 2005) 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 Dec. 9, 2005).

As a result of the adoption, in the consolidated balance sheets, conventional "total shareholders' equity" and "minority interests" have been changed to "total net assets," and "total net assets" is indicated by classifying "shareholders' equity," "evaluation and conversion difference," "subscription warrant" and "minority interests."

Additionally "Loss of Deferral Hedge Accounting" and "Profit of Deferral Hedge Accounting," those were indicated including "total assets" and "total liabilities" in the consolidated balance sheets at FY2006 and FY2006 Half year, have been indicated as net "Profit & Loss of Deferral Hedge Accounting" of "evaluation and conversion difference" since FY2007 Half year. The amounts corresponding to net "Profit & Loss of Deferral Hedge Accounting" in the consolidated balance sheets at FY2007 Half year are ¥14 million at FY2006, and ¥2 million at FY2006 Half year.

(Accounting standard and guidance for stock options)

Effective from FY2007 Half year ended Sep. 30, 2006, AISIN adopted "Accounting standard for stock options" (Accounting Standards Board of Japan Statement No. 8, issued by the Accounting Standards Board of Japan on Dec. 27, 2005) and "Guidance on Accounting standard for stock options" (Accounting Standards Board of Japan Guidance No. 11, last revised by the Accounting Standards Board of Japan on May 31, 2006).

As a result of the adoption, income before income taxes and minority interest decreased ¥41 million.

And at "Geographical Segments" of "Segment Information," Operating income of Japan decreased the same amount.