

Operating Results and Financial Position

1. Analysis of Operating Results

(Operation result of the year ended March 31, 2008)

The global automotive market continued to expand due to the sales increases in emerging country e.g. China, India, Russia, offsetting the sluggish sales growth in principle markets e.g. North America and Japan resulting from high commodity prices and uncertain future economic climate. Meanwhile Life and Energy industry has been under severe condition due to the slumping domestic housing market.

Amid these conditions, Aisin group has developed and sold new products corresponding to social change and meeting customer's demands; business expansion in global market, while promoting positive environmental and social activities.

Sales within the Automotive Related segment for FY 2007 increased 13.6% (¥2,588.5 billion) compared with previous FY (¥2,278.8 billion). The main reasons are customer production volume expansion and the result of positive sales activities for automatic transmissions, manual transmissions, car navigation systems, and power sliding doors.

Sales in Life & Energy business and other business for FY 2007 increased 12.0% (¥111.8 billion) compared with previous FY (¥99.7 billion). As a result, net sales increased 13.5% (¥2,700.4 billion) compared with previous FY (¥2,378.6 billion).

Consolidated Net Sales by Item

(in Millions)

Category	FY2007 (Apr. 2006 through Mar. 2007)		FY2008 (Apr. 2007 through Mar. 2008)		Variance	Variation ratio
	Yen	%	Yen	%		
					Yen	%
Engine Component	223,275	9.4	259,934	9.6	36,659	16.4
Drivetrain Component	1,014,016	42.6	1,170,457	43.4	156,441	15.4
Brake & Chassis Component	468,260	19.7	535,168	19.8	66,908	14.3
Body Component	433,210	18.2	477,525	17.7	44,315	10.2
Information Related	140,053	5.9	145,512	5.4	5,459	3.9
Automotive Related Sub Total	2,278,816	95.8	2,588,599	95.9	309,783	13.6
Life & Energy Related	51,592	2.2	52,679	1.9	1,087	2.1
Others	48,202	2.0	59,126	2.2	10,924	22.7
Grand Total	2,378,611	100.0	2,700,405	100.0	321,794	13.5

Note : Sales of "Others" includes "Construction and Engineering Works Business" and "Oil Sales Business" and so on.

As to our profit situation, operating income increased 37.7% (¥180.4 billion) compared with previous FY (¥131.0 billion), ordinary income increased 38.7% (¥186.3 billion) compared with previous FY (¥134.2 billion), net income increased 37.0% (¥91.6 billion) compared with previous FY (¥66.8 billion). Above are results of sales volume increase and cost reduction activities offsetting increase in depreciation, amortization, and research expenses for future growth.

ROE (return on equity) which is one of our management target improved to 12.0% compared with previous FY (9.3%).

A firm earning structure, which we believe will enable us to achieve mid and long-term target, will be based on implementing initiatives aimed at further improving profitability and future-focused upfront investments.

(Forecast for FY2008)

Circumstance surrounding us is still unclear due to the instability factor and issue e.g. high energy and material prices, rapid fluctuation in exchange rate, confusion in global financial and capital market triggered by the sub prime loan issue in the U.S., and intensifying global competition.

Under these circumstances, the situation surrounding automotive business are expected to continue to be uncertain, due to the sluggish sales growth in principal market e.g. North America and Japan offsetting the sales increases in emerging country e.g. China, India.

Current forecast of consolidated financial result for FY2008 are as follow;

Sales : ¥2,720.0 billion

Operating income : ¥142.0 billion

Ordinary income : ¥149.0 billion

Average foreign currency exchange rate used for the forecast : approximately ¥100 to the U.S. dollars and approximately ¥155 to the Euro.

Forecasted consolidated financial results above have been prepared based on the current business environment. These forecast are not guarantees of future performance.

2. Analysis of Financial Condition

(Analysis of assets, liabilities, and cash flows situation)

Total assets at the end of the fiscal period amounted to ¥2,097.7 billion, up 2.9% from ¥2,037.8 billion at the end of the previous fiscal year. Total net assets at the end of the interim period amounted to ¥994.5 billion, an increase of 4.1% from ¥955.8 billion at the end of the previous fiscal year.

The cash flow situation in the fiscal period, resulted in cash and cash equivalents (hereafter referred to as cash) amounting to ¥190.2 billion, a increase of ¥53.9 billion, or 39.6%, from ¥136.3 billion at the end of the previous fiscal year. This resulted from ¥299.2 billion in net cash inflow by operating activities, ¥217.8 billion in net cash outflow in investing activities, ¥27.6 billion in net cash outflow in financing activities, and a ¥0.2 billion inflow from translation adjustment of cash and cash equivalents.

(Cash Flows from Operating Activities)

Cash flows from operating activities resulted in a cash inflow of ¥299.2 billion in FY 2007 from ¥228.4 billion in FY 2006, the variance was mainly due to the net income of ¥52.0 billion and depreciation and amortization of ¥22.2 billion.

(Cash Flows from Investing Activities)

Cash Flows from Investing Activities resulted in a cash outflow of ¥217.8 billion in FY 2007 from ¥236.6 billion in FY 2006, the variance was mainly due to the additions to tangible asset. Net cash used in investing activities decreased by ¥19.5 billion.

(Cash Flows from Financing Activities)

Cash Flows from Financing Activities resulted in a cash outflow of ¥27.6 billion in FY 2007, mainly due to repayment of loans and the repurchasing own stocks.

Reference: Transition of index related to cash flows

	Apr. 2003 through Mar. 2004	Apr. 2004 through Mar. 2005	Apr. 2005 through Mar. 2006	Apr. 2006 through Mar. 2007	Apr. 2007 through Mar. 2008
Equity ratio (%)	36.6	36.8	36.6	37.2	36.6
Equity ratio to the public stock market value (%)	42.0	46.4	70.9	57.7	49.9
Liabilities with interest to cash flows (point)	1.5	1.6	1.5	1.3	1.0
Interest coverage ratio (magnification)	57.3	59.2	74.3	81.2	74.9

Equity ratio = Shareholders' Equity ÷ Total Assets

Equity ratio to the public stock market value = The public stock market value ÷ Total Assets

Liabilities with interest to cash flows = Liabilities with interest ÷ Cash flows

Interest coverage ratio = Cash flows ÷ Interest payment

Note1 : The above-mentioned data are calculated by the consolidated basis.

Note2 : The public stock market value are calculated based on the numbers of issued shares except treasury stock.

Note3 : The operating cash flows is used for the cash flows.

Note4 : The interest-bearing debt includes all the debts to pay the interest of the debts summed up by the consolidated balance sheet.

3. Basic Policy on the Distribution of Profits for FY 2007/2008

Aisin strives to raise the level of stable dividends by taking into consideration a comprehensive range of factors that include our business results and payout ratio. Aisin plans to raise capital efficiency by acquiring its own shares. To secure shareholder profits in the future, Aisin will continue to utilize retained earnings to further carry out our operations in Japan and overseas and for investments to further upgrade and strengthen our corporate constitution.

Aisin will propose the year-end cash dividend amount of ¥36 per share. Aisin has paid an interim cash dividend of ¥24 per share to each shareholder; accordingly, the total annual cash dividend per share will be ¥60, which is a ¥20 increase from previous FY. Dividend shall be paid twice a year – an interim cash dividend and year-end cash dividend, with the year-end cash dividends as a matter to be resolved at annual stockholders general meeting, even though Aisin's articles of incorporation stipulate that retained earning can be distributed by the resolution of the board of directors.

And also, in accordance with the basic policy above, Aisin repurchased 4.24 million of its own shares during FY 2007 with the total cost being ¥ 19.3 billion.

Despite the headwinds for FY 2008 Aisin will strive to maintain a stable cash dividend policy.