

Operating Results and Financial Position

1. Operating Results

(1) Achievements for the Half year Ended September 30, 2007

AISIN has worked on enhancing its business in the global market; AISIN has developed and sold new products corresponding to social change and meeting customer's demands.

Sales within the Auto Parts segment increased 15.1% (¥1,236.6 billion) compared with the same half year of the previous fiscal year (¥1,074.6 billion) due to clients' production expansions, in addition to aggressive sales activities for automatic transmissions, manual transmissions, car navigation systems, and power sliding doors. Sales of the Life & Energy related products and other business increased 24.5% (¥56.8 billion) compared with the same half year of the previous fiscal year (¥45.6 billion).

As a result, total sales increased 15.5% (¥1,293.5 billion) compared to the same half year of the last fiscal year (¥1,120.3 billion).

Despite increase in depreciation and amortization expenses and surging material costs such as aluminum, favorable activities to streamline and raise efficiency in all areas of operations through cost reductions and other measures, resulted in a 55.3% increase in operating income from ¥52.1 billion to ¥81.0 billion. Ordinary income increased 55.2% to ¥84.8 billion. (Previous: ¥54.6 billion) Net income increased 56.5% to ¥38.6 billion. (Previous: ¥24.6 billion)

Consolidated Net Sales by Item

(In Millions)

| Category | FY2007 Half year (Apr. 2006 through Sep. 2006) | | FY2008 Half year (Apr. 2007 through Sep. 2007) | | Increase (Decrease) | Change | FY2007 (Apr. 2006 through Mar. 2007) | |
|-----------------------------|--|---------|--|---------|------------------------|--------|--|--------|
| | Yen | % | Yen | % | | | Yen | % |
| | Engine Related | 105,644 | 9.4 | 126,314 | | | 9.8 | 20,670 |
| Drivetrain Related | 470,882 | 42.0 | 559,021 | 43.2 | 88,139 | 18.7 | 1,014,016 | 42.6 |
| Brake & Chassis Related | 225,575 | 20.2 | 252,844 | 19.5 | 27,269 | 12.1 | 468,260 | 19.7 |
| Body Related | 209,723 | 18.7 | 226,468 | 17.5 | 16,745 | 8.0 | 433,210 | 18.2 |
| Information Related | 62,848 | 5.6 | 72,016 | 5.6 | 9,168 | 14.6 | 140,053 | 5.9 |
| Total Automotive Related | 1,074,673 | 95.9 | 1,236,664 | 95.6 | 161,991 | 15.1 | 2,278,816 | 95.8 |
| Life & Energy Related | 24,723 | 2.2 | 25,855 | 2.0 | 1,132 | 4.6 | 51,592 | 2.2 |
| Others | 20,911 | 1.9 | 30,981 | 2.4 | 10,070 | 48.2 | 48,202 | 2.0 |
| Grand Total | 1,120,307 | 100.0 | 1,293,501 | 100.0 | 173,194 | 15.5 | 2,378,611 | 100.0 |

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

(2) Outlook for FY2008

The business environment remains unclear owing to numerous ongoing uncertainties and issues that include soaring prices for crude oil and other raw materials as well as exchange rate fluctuations and intensifying global competition.

Amid this environment, despite sluggish unit sales in the principal markets of North America and Europe, the automobile industry is achieving large sales increases in emerging markets, beginning with China and India, and the industry is expected to continue recording overall growth worldwide.

Regarding the full-year outlook for Aisin's consolidated business results, based on expected second-half exchange rates of ¥110 for 1 US dollar and ¥155 for 1 Euro, and taking into consideration a change in our depreciation method resulting from a revision of the tax system, we have revised our full-year forecast announced on April 26, 2007. Accordingly, we are forecasting consolidated net sales of ¥2,660.0 billion, operating income of ¥167.0 billion, ordinary income of ¥170.0 billion, and net income of ¥77.0 billion.

(3) Achievement situation of management index that aims

Aisin is working to reach our target of achieving ROE of 10%, and in fiscal 2008 we expect to attain ROE of 9.8% by expanding our business with a steady improvement in profitability. In addition to implementing initiatives aimed at further improving profitability, we will make future-focused upfront investments as we work to quickly build a solid earnings structure that enables us to achieve our objectives over the medium and long terms.

2. Financial Position

(Analysis of assets, liabilities, and cash flows)

Total assets at the end of the fiscal period amounted to ¥2,030.4 billion, down 0.4% from ¥2,037.8 billion at the end of the previous fiscal year, due to fluctuations in the value of stocks held by the Company. Total net assets at the end of the interim period amounted to ¥999.8 billion, an increase of 4.6% from ¥955.8 billion at the end of the previous fiscal year.

Looking at cash flows in the fiscal period, cash and cash equivalents (hereafter referred to as cash) amounted to ¥125.8 billion, a decrease of ¥10.4 billion, or 7.6%, from ¥136.3 billion at the end of the previous fiscal year. This resulted from ¥92.8 billion in net cash provided by operating activities, ¥99.7 billion in net cash used in investing activities, ¥6.1 billion in net cash used in financing activities, and a ¥2.5 billion inflow from translation adjustment of cash and cash equivalents.

(Cash Flows from Operating Activities)

Cash flows from operating activities increased ¥21.5 billion, or 30.3%, from the end of the previous fiscal period to ¥92.8 billion. Despite an outflow resulting from a ¥15.6 billion increase in accounts receivable, cash flows from operating activities increased due to a ¥30.1 billion rise in income before income taxes and minority interests, and an ¥11.7 billion increase in depreciation and amortization.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥99.7 billion, a ¥34.9 billion, or 26.0%, decline from ¥134.7 billion in the previous fiscal period. This was due to an ¥8.8 billion net decrease in time deposits and short-term investments from the end of the previous interim period and ¥96.5 billion in payments for purchases of property, plant and equipment, a decrease of ¥26.0 billion from ¥122.5 billion in the previous fiscal period.

(Cash Flows from Financing Activities)

Net cash used in investing activities amounted to ¥6.1 billion, a ¥38.6 billion decrease from ¥32.5 billion in net cash provided by financing activities in the previous fiscal period. This was due to ¥10.6 billion in proceeds from long-term debt—a ¥26.6 million decrease from ¥36.6 billion in the previous interim term—as well as an ¥18.5 billion decrease in commercial paper and short term borrowings.

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 Sep. 2007 |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Equity ratio(%) | 36.6 | 36.8 | 36.6 | 37.2 | 38.7 |
| Equity ratio to the public stock market value(%) | 42.0 | 46.4 | 70.9 | 57.7 | 64.6 |
| Liabilities with interest to cash flows(point) | 1.5 | 1.6 | 1.5 | 1.3 | — |
| Interest coverage ratio (magnification) | 57.3 | 59.2 | 74.3 | 81.2 | — |

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 Profit Redistribution

As we strive to raise the level of stable dividends, Aisin pays dividends 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 pay interim cash dividends of ¥24 per share. Regarding annual dividends, we have revised our initial forecast and plan to pay cash dividends of ¥48 per share, an increase of ¥8 over the previous fiscal year.