

## Financial Review

Aisin Seiki Co., Ltd. and Its Consolidated Subsidiaries  
Years ended March 31

An analysis of the business environment for the fiscal year ended March 31, 2000 shows that domestic automobile sales remained close to the previous fiscal year's level, but that there was a negative trend in export sales. As a result, domestic production was moderately lower than in the previous fiscal year. Lifestyle-related industries faced difficult conditions due to the continuing slump in consumer spending.

In addition to the 14 existing consolidated subsidiaries, including Aisin AW, another 7 companies, including Aisin Takaoka and Aisin Chemical were converted from affiliates accounted for under the equity method to consolidated subsidiaries. These changes, together with the addition of 28 new companies, brought the number of consolidated subsidiaries to 49. There are now 7 affiliates accounted for under the equity method, including Nippon Clutch, bringing the total number of consolidated companies to 56.

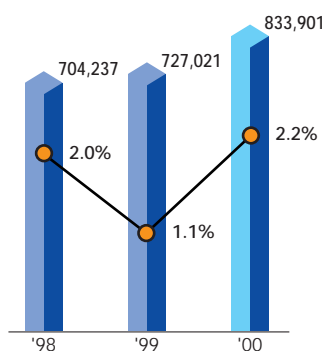
### Net Sales and Operating Income

The conversion of seven former affiliates accounted for under the equity method, including Aisin Takaoka, into consolidated subsidiaries added ¥86 billion to consolidated net sales, and another ¥15 billion was contributed by 28 new consolidated subsidiaries. There was also a ¥10.3 billion net increase in the sales of Aisin Seiki and Aisin AW and so on, while changes to the fiscal term of North American companies resulted in a ¥18.5 billion reduction in sales. Overall, net sales increased by ¥92.8 billion, or 10.2%, over the previous fiscal year's level, to ¥1,000.6 billion.

This increase in consolidated net sales reflects trends in a number of product categories. Sales of engine-related products reached ¥108.2 billion, due in part to a rise in sales of exhaust manifolds by Aisin Takaoka. The contribution from drive train products reached ¥474.3 billion, aided by a rise in Aisin Chemical's sales of clutch facings. Increased sales of brake rotors by Aisin Takaoka and brake pads by Aisin Chemical helped to bring total sales of brake and chassis products to ¥134.3 billion. The ¥40.5 billion total for data-related products reflects a fall in sales of navigation systems and other prototype items. Sales of creative lifestyle-related equipment amounted to ¥37.1 billion, while other products contributed ¥21.1 billion to consolidated net sales.

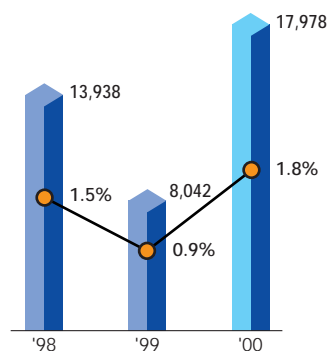
Overseas, North American sales declined by ¥27.0 billion to ¥61.5 billion. The reason for the decline was a fiscal term change from September to December, which meant that the accounting period consisted of only nine months. Another factor was the exchange rate, which fell from ¥120 to the U.S. dollar in the previous fiscal year to ¥102 in fiscal 1999. Sales of ATMs to Kia, Daewoo and other South Korean companies by Aisin AW helped to lift sales in Asia. A decline in North American sales impacted on total overseas sales, which amounted to ¥153.2 billion. The contribution of overseas sales to total consolidated net sales fell by 2.3 points to 15.3%.

Operating income increased by ¥22.4 billion, or 79.3%, to ¥50.8 billion.



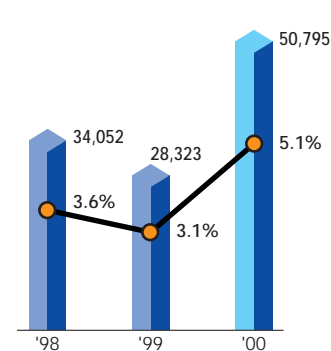
Total Assets/ROA

(¥ millions/%)



Net Income/Net Income to Net Sales

(¥ millions/%)



Operating Income/  
Operating Income to Net Sales

(¥ millions/%)

Income before Income Tax and Net Income  
Income before income tax was ¥19.7 billion, or 72.1% higher, at ¥47.2 billion. Net income amounted to ¥17.9 billion, an increase of ¥9.9 billion, or 123.5% over the previous fiscal year's level. Net income per share was ¥64.36, while ROE increased by 2.7 points to 5.4%.

#### Financial Position

Current assets increased by ¥82.8 billion to ¥336.2 billion. This total includes ¥94.3 billion in assets on hand in the form of cash, deposits and securities. Tangible fixed assets increased by ¥91.7 billion to ¥458.8 billion. Total assets at the year ended March 31, 2000 amounted to ¥928.9 billion.

Current liabilities reached ¥309.7 billion, an increase of ¥57.6 billion over the previous fiscal year's level. Fixed liabilities were ¥38.4 billion higher at ¥167.1 billion. Total liabilities at the end of the year to March 31, 2000 were ¥96.1 billion higher at ¥476.8 billion.

Common stock remained unchanged, with a total of ¥41.1 billion at the end of the year to March 31, 2000.

#### Cash Flows

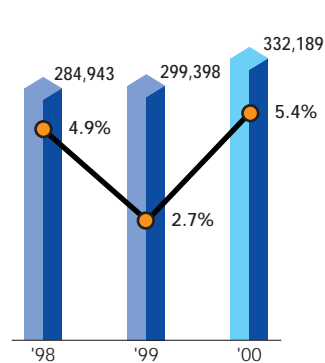
A cash flow analysis of the year ended March 31, 2000 shows that the cash balance at the end of the period stood at ¥76.1 billion, an increase of ¥13.6 billion over the position at the end of the previous fiscal year. The expanded scope of consolidation added ¥19.8 billion to cash flows. There was also a ¥107.9 billion increase in operating cash flows, consisting of income before

income tax and depreciation. Transfers to capital investments and term deposits consumed ¥102.1 billion, while ¥12.0 billion was used in financing activities, including the repayment of short-term debt, leaving a year-end cash balance of ¥76.1 billion.

#### Future Outlook

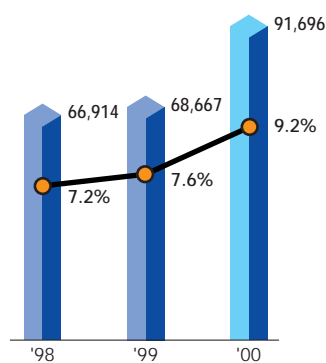
For fiscal year 2000, consolidated net sales are expected to increase by ¥19.4 billion, or 1.9%, to ¥1,020.0 billion. The ¥48.0 billion result predicted for income before income taxes represents an increase of ¥0.8 billion, or 1.7% over the previous year's level.

There will be extraordinary losses of ¥71.0 billion relating to period differentials resulting from a change in the accounting method for retirement and severance benefits and the establishment of a reserve for directors' and corporate auditors' retirement payments. By the adjustment of corporate income taxes to reflect these losses, it is expected to result in a net loss of ¥17.5 billion.



Shareholders' Equity/ROE

(¥ millions/%)



Selling, General and Administrative Expenses (SGA)/SGA to Net Sales

(¥ millions/%)