

## Medium-Term Management Strategies

The strategy calls for the expansion and qualitative improvement of the automobile parts business, which is the core area of activity for the Aisin Group. Another strategic goal is the development of new opportunities in the creative lifestyle businesses.

**In the Automobile Parts Business Sector, the Aisin Group will work to expand its shares of domestic and overseas markets, especially for key products such as drivetrain-related products and brake and chassis-related products. At the same time, it will focus on the development of system products with an emphasis on the environment and safety. These efforts will be accompanied by aggressive globalization, including the expansion of production activities in North America, Europe and Asia. In the Creative Lifestyle Business Sector, group companies will strive to develop new products and services that anticipate the changing needs of consumers.**

**The medium-term goal for consolidated return on equity (ROE) is 10%. The Aisin Group will work to achieve this target by improving its competitiveness and capital efficiency.**



Akihiro Wada  
Chairman of the Board

Kanshiro Toyoda  
President

### Overview of Fiscal 1999

Domestic vehicle registrations of the automobile industry were similar to the previous fiscal year's level, but there was a decline in exports. The result was a moderate reduction in domestic vehicle production. The business environment for lifestyle-related industries remained difficult due to the continuing stagnation of consumer spending.

In this kind of business environment, increased sales of drivetrain-related parts and brake and chassis-related products resulted in an 8.4% increase in the consolidated net sales of the Automotive Parts Business Sector, leading to a total net sales of ¥942.4 billion for the fiscal year, compared with ¥869.2 billion in the previous fiscal year. Net sales of Creative Lifestyle and Other

Businesses decreased from ¥38.5 billion in the year ended March 31, 1999 to ¥37.0 billion in the year to March 31, 2000, resulting in a decrease of 3.8%. However, sales of ¥21 billion from the construction and oil businesses has been added due to the new consolidated accounting methods employed. As a result, total consolidated net sales for fiscal 1999 increased by 10.2% to ¥1,000.6 billion over the previous fiscal year's total net sales of ¥907.7 billion.

Despite the effects of exchange rate fluctuations and other factors, consolidated net income in the year ended March 31, 2000 totaled ¥17.97 billion, an increase of 123.5% over the previous fiscal year's result of ¥8.0 billion. This gain reflects rationalization and efficiency improvements affecting all operations. The profitability of new products was improved thanks to the expansion of simultaneous engineering activities. There were also productivity improvements resulting from capacity increases and the restructuring of production lines.

The Aisin Group introduced tax benefit accounting in the year ended March 31, 2000. Consolidated net income was ¥3.2 billion higher than would have been the case if tax effects accounting had not been applied.

The basic policy with regard to dividends is to maintain long-term stability and to respond to the expectations of shareholders, while taking into account

the overall situation, including business performance and the dividend payout ratio.

The dividend for fiscal year 2000 will be ¥12 per share. This includes a ¥1 commemorative dividend to mark the company's 35th anniversary in September.

Retained earnings will be used to maintain shareholder profit into the future by developing the Aisin Group's activities in Japan and overseas. The funds will be applied to investments designed to strengthen and enhance the Group's corporate fundamentals.

### Outlook for the Coming Fiscal Year

While there are signs of improvement in private-sector capital investment and other economic indicators, the situation is expected to remain uncertain for a number of reasons, including currency fluctuations and the possibility of a slow-down in the U.S. economy.

The strategy of the Aisin Group in this management environment is to focus the combined energies of the "All Aisin" group companies in Japan and overseas toward the establishment of a position as a worldwide supplier of products capable of competing successfully in global markets. The strategy also calls for the expansion of overseas manufacturing locations, mainly in North America, including AW North Carolina Inc. and

AISIN AUTOMOTIVE CASTING, INC., the development of new customers, and the aggressive expansion of business interaction. These initiatives will be paralleled by continuing company-wide efforts to strengthen earnings performance and financial position through measures such as cost reduction and the improvement of productivity efficiency.

Consolidated net sales are expected to rise by 1.9% to ¥1,020 billion compared with the previous fiscal year, and consolidated recurring profit by 1.7% to ¥48 billion compared with the previous fiscal year, thanks to increased sales of the automotive parts business and so on. However, consolidated net income is projected to decline by 197.3% to ¥17.5 billion compared with the previous fiscal year. This is because the accounts will include extraordinary losses totaling ¥71.0 billion resulting from the write-off of the difference caused by the change of pension benefits accounting and the establishment of accrued executive retirement benefits.

