

## Notes to the Consolidated Financial Statements

Aisin Seiki Co., Ltd. and Its Consolidated Subsidiaries  
Years ended March 31, 2000, 1999 and 1998

### 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Japan. The Consolidated Statement of Cash Flows has been prepared from this fiscal term, because its preparation is required in Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

### 2. Yen and U.S. Dollar Amounts

All yen figures have been rounded down to millions of yen.

The United States dollar amounts included herein are solely for convenience. The translation should not be construed as representations that Japanese yen have been, could have been, or may in the future be, converted into United States dollars. The exchange rate at March 31, 2000 of ¥106.15=US\$1 has been used in the translation.

### 3. Summary of Significant Accounting Policies

#### (1) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flow, all highly liquid debt instruments that have an original maturity of three months or less are considered as cash equivalents.

#### (2) Securities

Securities listed on stock exchanges are mainly valued at the lower of cost, as determined by the moving average method, or market. Other securities are carried at cost, which is determined by the moving average method.

#### (3) Inventories

Finished products, work in process and supplies (excluding steel supplies and fuel) are mainly stated at cost, as determined by the average method. Raw materials, steel supplies and fuel are stated at the lower of cost, as determined by the last-in, first-out method, or market.

#### (4) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the declining balance method at rates based on the useful lives of the assets decided by the tax law. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred. Due to the amendment of Japanese tax laws in 1999 the useful life of building has shortened. This resulted in increase in depreciation by ¥278 million and decrease in income before income taxes by approximately the same amount.

#### (5) Translation of Foreign Currency Accounts

The current portion of assets and liabilities in foreign currencies have been translated at the rate of exchange prevailing at the end of the fiscal year. Investments in securities and in subsidiaries denominated in foreign currency have been translated at the historical rates of exchange.

#### (6) Retirement and Severance Benefits

Retirement and severance benefits are fully recorded at the amount which would be required if all eligible employees terminated their employment at the balance sheet date. 50 percent of retirement benefits are covered by a contributory qualified special pension plan with government pension adjustments.

#### (7) Amortization for Consolidation Difference

Since fiscal year of March 31, 2000, Consolidation difference are amortized for 5 years from occurred period. But if that amount is not significant, it is charged to income as incurred. And for the fiscal year of March 31, 2000, it was charged to income as incurred.

#### (8) Valuations for Assets and Debts of Consolidated Companies

Assets and liabilities of consolidated subsidiaries are revalued at their fair value as of the date of acquisition of the control based on the full fair value method.

#### (9) Leases

Leases are accounted for mainly as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership can be accounted for as operating lease transactions.

#### (10) Deferred Asset

Bond issuing costs are expensed as incurred.

### 4. Change in Accounting Policies

Royalties on patents have been included in net sales, starting from the fiscal year ended March 31, 1999, which were formerly included in "other" under other income. By this change, net sales and operating income increased by ¥1,212 million and other income decreased by ¥1,212 million. But it has had no effect on income before income taxes and net income. This change is because that royalty is result of main operational activities, and overseas activities are getting more important.

### 5. Change on Presentation Methods

Enterprise tax has been shown in income taxes, starting from the fiscal year ended March 31, 1999, which was formerly shown in selling, general and administrative expenses due to the amendment of Ordinance promulgated by Ministry of Finance. By this change, income before income taxes increased by ¥3,119 million. But it has had no effect on net income.

Based on this change, accrued enterprise tax has been included in accrued income taxes from the fiscal year ended March 31, 1999, which was formerly included in accrued expenses.

### 6. Marketable Securities

	Millions of Yen			Millions of U.S. Dollars		
	2000			2000		
	Balance Sheet	Fair Market Value	Unrealized Gains/Losses	Balance Sheet	Fair Market Value	Unrealized Gains/Losses
Current Portfolio						
Stocks	¥ 119	¥ 3,194	¥ 3,075	\$ 1.1	\$ 30.1	\$ 29.0
Others	4	7	2	0.0	0.1	0.0
Sub Total	123	3,201	3,078	1.2	30.2	29.0
Non-Current Portfolio						
Stocks	39,232	173,642	134,410	369.6	1,635.8	1,266.2
Bonds	8,769	9,224	454	82.6	86.9	4.3
Others	2,018	2,038	20	19.0	19.2	0.2
Sub Total	50,020	184,905	134,884	471.2	1,741.9	1,270.7
Grand Total	¥50,143	¥188,107	¥137,963	\$472.4	\$1,772.1	\$1,299.7

7. Assets Pledged as Collateral

Assets including investment in securities, land, buildings and structures at the book value of ¥24,216 million (US\$228.1 million) are pledged for bank loans or employees' saving deposits amounted to ¥28,927 million (US\$272.5 million) as of March 31, 2000.

8. Contingent Liabilities

Total contingent liabilities at the end of each fiscal year are as shown below.

	Millions of Yen		Millions of U.S. Dollars	
	2000	1999	2000	
Guarantee of Bank Loans of Employees	¥ 66	¥ 71	\$ 0.6	
Subsidiaries	1,686	203	15.9	
Total	¥1,752	¥ 274	\$16.5	
Export Bills Discounted	¥1,177	¥1,111	\$11.1	

9. Research and Development Expenses

Our Research and Development Organizations are made of Corporate R & D Center and Engineering Department of each Division, and are proceeding development activities. Engineering Department is proceeding to progress current Automobile Parts and Creative Life Style Products. Corporate R & D Center is developing forefront automotive technologies, products of new field for the future, and also proceeding new materials and manufacturing methods to assist these developments. Main subjects, which we are paying the most attention on are electronics, utilizing light materials, creating the suitable designing ( small size, light weight), and so on.

	Millions of Yen		Millions of U.S. Dollars	
	2000		2000	
Research and Development Expenses	¥53,086		\$500.1	

10. Leases

Finance leases other than those where ownership is considered to be transferred to the lessee at end of each fiscal year are as shown below.

	Millions of Yen			Millions of U.S. Dollars	
	2000	1999	1998	2000	
Obligations under Finance Leases (Due within One Year)	¥1,879	¥3,327	¥3,224	\$17.7	
Obligations under Finance Leases (Due after One Year)	3,051	4,794	5,510	28.7	
Total	¥4,931	¥8,121	¥8,735	\$46.5	
Lease Expenses for Fiscal Year	¥2,433	¥3,689	¥3,710	\$22.9	

11. Derivatives

Derivatives are utilized for the purpose of reducing its exposure to adverse fluctuations in interest rates and foreign exchange rates. The trades of derivatives are limited by internal regulations. Derivatives contracts outstanding at end of fiscal year are as shown below.

	Millions of Yen			Millions of U.S. Dollars		
	2000			2000		
	Contract Amounts	Fair Market Value	Unrecognized Gains/Losses	Contract Amounts	Fair Market Value	Unrecognized Gains/Losses
Interest Rate Swap						
Floating Rates Receipt, Fixed Rate Payment	¥2,343	(¥50)	(¥50)	\$22.1	(\$0.5)	(\$0.5)
Floating Rates Receipt, Floating Rates Payment	1,000	0	0	9.4	0.0	0.0
Total	¥3,343	(¥49)	(¥49)	\$31.5	(\$0.5)	(\$0.5)

12. Bonds Payable and Borrowings

Bonds payable at March 31, 2000 consisted of the following :

Issued by	Item	Millions of Yen	Millions of U.S. Dollar	Annual interest	Year of Due
AISIN SEIKI	Unsecured Convertible Bonds	¥29,117	\$274.3	2.00%	2004
AISIN SEIKI	Unsecured Straight Bonds	10,000	94.2	1.95	2003
AISIN SEIKI	Unsecured Straight Bonds	15,000	141.3	2.65	2008
AISIN AW	Unsecured Straight Bonds	5,000	47.1	1.59	2004
AISIN AW	Unsecured Straight Bonds	5,000	47.1	1.35	2003
AISIN AW	Unsecured Straight Bonds	5,000	47.1	1.07	2002
Total		¥69,117	\$651.1		

Borrowings at March 31, 2000 consisted of the following :

Issued by	Item	Millions of Yen	Millions of U.S. Dollar	Average Annual interest	Year of Due
Short-term Borrowings		\$34,529	\$325.3	0.76%	
Transfer to short term borrowings due within one year		3,803	35.8	2.08	
Long-term Borrowings		39,873	375.6	1.51	2001-2004
Total		¥78,206	\$736.7		

### 13. Deferred Income Taxes

In fiscal 2000, the method of tax effect accounting was applied in accordance with the revision of the Regulation in Japan.

#### 1. A summary of the components of the provision for deferred income taxes

	Millions of Yen	Millions of U.S. Dollars
	2000	2000
Deferred Tax Assets		
Deferred Tax Assets		
Retirement and Severance Benefits	16,436	154.8
Accrued Expenses	7,454	70.2
Depreciation	5,390	50.8
Warranty Reserves	4,357	41.0
Others	8,120	76.5
Deferred Tax Assets Sub-Total	41,758	393.4
Valuation Allowance	(95)	(0.9)
Deferred Tax Assets Total	41,662	392.5
Deferred Tax Liabilities		
Basis Difference of Acquired Assets	3,060	28.8
Special Depreciation Reserves	1,573	14.8
Depreciation	914	8.6
Others	14	0.1
Deferred Tax Liabilities	5,562	52.4
Net Deferred Taxes	36,100	340.1

#### 2. Reconciliation of the difference between Statutory Tax Rate and the Effective Income Tax Rate

	%
	2000
Statutory Tax Rate	41.24
(Adjustment)	
Different Tax Rate(Term Differences)	3.87
Equity Earnings	(3.04)
Non-deductible Expenses	1.16
Others	4.44
Effective Income Tax Rate	47.67

### 14. Segment Information

#### 1. Industry Segments

The company's main business is manufacturing and sales of automotive parts. Sales, operating income and assets occupy over 90% in all segments. Therefore industry segments are omitted.

#### 2. Geographical Segments

For the years ended March 31, 1999 and 1998, sales and assets in the location of Japan occupy over 90% in all segments. Therefore geographical segments are omitted.

		Millions of Yen	Millions of U.S. Dollars	
		2000	2000	
Sales	Japan	Customers	907,777	8,552
		Intersegment	79,392	748
		Total	987,170	9,300
	North America	Customers	61,318	578
		Intersegment	1,374	13
		Total	62,692	591
	Europe	Customers	27,612	260
		Intersegment	1,589	15
		Total	29,201	275
	Others	Customers	3,935	37
		Intersegment	3,295	31
		Total	7,230	68
		Eliminations	(85,651)	(807)
	Consolidated	1,000,643	9,427	
Operating Income	Japan	48,921	461	
	North America	1,836	17	
	Europe	197	2	
	Others	315	3	
	Eliminations	(475)	(4)	
	Consolidated	50,795	479	
Assets	Japan	762,156	7,180	
	North America	53,589	505	
	Europe	25,659	242	
	Others	6,958	66	
	Eliminations	80,555	759	
	Consolidated	928,918	8,751	

Main countries or regions are:

(1) North America: U.S.A. (2) Europe: Belgium, UK (3) Others: Taiwan, China

Assets Eliminations in the amount of 80,555 Millions Yen mainly consists of Cash and Cash Equivalents of AISIN SEIKI CO., LTD.

Some Companies of North America and Europe are only nine Months term due to the change of fiscal term.

#### 3. Sales by Geographic Area

		Millions of yen			Millions of U.S. Dollar
		2000	1999	1998	2000
Sales	Japan	847,409	747,999	766,168	7,983
	North America	61,565	88,462	91,832	580
	Europe	57,470	60,461	64,975	541
	Others	34,199	10,832	11,820	322
	Consolidated	1,000,643	907,755	934,797	9,427

Main countries or regions are:

(1) North America: U.S.A., Canada (2) Europe: Sweden, Germany (3) Others: Korea, Taiwan