

## Financial Review

Aisin Seiki Co., Ltd. Years ended March 31

### Business Operations and Results

Domestic vehicle registrations of the automobile industry remained close to the previous fiscal year's level during the period under review, but exports declined. As a result, domestic vehicle production was moderately lower than in the previous fiscal year.

Lifestyle-related industries faced severe conditions due to the continuing stagnation of consumer spending.

Aisin's goal in this business environment was to achieve sustained growth in world markets. To achieve this goal, it worked through its various business activities to provide consumers with attractive, new value-added products.

In the Automotive Parts Business Sector, Aisin continued to develop system products with particular emphasis on the environment and safety. Examples include the Linear VVT, which improves fuel efficiency, the Hydraulic booster, which contributes to safe driving, and the Backing Guide system. At the same time, Aisin worked aggressively to expand its sales in domestic and overseas markets. In January 2000, it strengthened its developmental system by integrating the various divisional technology departments into a single Research and Development Division.

In the Creative Lifestyle Business Sector, Aisin also developed and marketed a variety of environment-friendly lifestyle products, including a new type of Gas-driven heat-pump air conditioner, and the energy-efficient A-Series compact shower toilet seat. Another focus was the expansion of the home remodeling business. Aisin continued to develop products to meet the needs of an aging population. Innovations developed and marketed in this area include a lightweight electrically operated wheelchair and a bed designed for nursing care.

Net sales of the Automotive Parts Business Sector rose from ¥467.3 billion in the previous fiscal year to ¥476.9 billion, an increase of 2.0%. This improvement reflects higher net sales of brake and chassis-related

and body-related products. Sales in the Creative Lifestyle Business Sector were affected by an overall downturn in demand and, at ¥34.6 billion, were 4.9% below the previous fiscal year's total of ¥36.4 billion. Total net sales increased by 1.5%, from ¥503.7 billion in the previous fiscal year to ¥511.5 billion.

Net income in the year ended March 31, 2000 amounted to ¥8.6 billion, a 64.9% increase over the previous fiscal year's result of ¥5.2 billion. This gain was achieved despite the effects of currency fluctuations and other factors. It reflects rationalization and efficiency improvements affecting all operations, including enhanced profit margins on new products, thanks to the expansion of simultaneous engineering activities and productivity improvements resulting from capacity increases and production-line restructuring.

Capital investment was reduced by 23.4%, from ¥23.5 billion in the previous fiscal year to ¥18.0 billion. Aisin invested in new product development and product enhancements to accommodate model changes by automobile manufacturers. It also invested in research and development relating to new technologies and products. At the same time, there was a company-wide drive to maximize capital investment efficiency, including the effective use of existing facilities.

Aisin aggressively expanded and developed its overseas businesses. Production capacity in North America and Europe was strengthened, and in India, a new joint venture, AISIN NTT PRIVATE LIMITED was established in July 1999 to produce multifunctional door components. The establishment of this new company brings the total number of overseas research, production and marketing operations to 21.

Aisin continued to use its specialist technology to create new business opportunities and improve its operating efficiency. In September 1999, AISIN established FT TECHNO Co., Ltd. to handle testing and evaluation operations for

vehicles and other items. This was followed in October 1999 by the establishment of AISIN COLLABO CO., LTD., which specializes in security services and other service activities. Protection of the environment remains an important priority for Aisin. In October 1999 it gained environmental management certification under the ISO14001 standard for all of its domestic operations.

Aisin saw the Y2K problem as an important management issue with the potential to affect customer service and business continuity. Thanks to company-wide precautions, however, there were no problems or events affecting business performance.

### Future Issues

There is a sign of a modest recovery in private-sector capital investment and consumer spending. However, there is also considerable uncertainty about such factors as the exchange rate, as well as fears that the U.S. economy may start to decelerate. The outlook is likely to remain clouded for both the automobile and creative lifestyle industries. Moreover, the restructuring that is currently taking place in the automobile industry is likely to result in escalating competition on a global scale.

Aisin's strategy in this environment is to focus the energies of its group companies in Japan and overseas toward the establishment of a position for itself as a worldwide supplier capable of competing successfully in global markets. The strategy also calls for the expansion of overseas production operations, the development of new customers and the aggressive expansion of international business. These initiatives will be paralleled by continuing company-wide efforts to maximize earnings through cost reductions and the improvement of productivity.

Also, Aisin is determined to live up to the trust placed in it by society at large through an active involvement in environmental conservation and corporate citizenship activities.