

## Financial Review

AISIN SEIKI CO., LTD. and Its Consolidated Subsidiaries  
Years ended March 31, 2001

### Consolidated Financial Information

The number of consolidated subsidiaries for fiscal year March 31, 2001, totaled 89, an increase of 40 from the previous fiscal year. The number of affiliates accounted for under the equity method rose by 6, to 13.

#### 1. Consolidated Net Sales and Operating Income

Consolidated net sales for fiscal year, ended March 31, 2001, increased 12.8% to ¥1,128 billion (US\$9,108 million) compared with the previous fiscal year, while operating income increased sharply by 27.6%, to ¥65 billion (US\$523 million).

Net sales increased on the strength of operations in several sectors. Spurred by growing automobile sales in both domestic and overseas markets, sales of brake and chassis related products climbed 20.7%. Sales of body related products improved 20.3%. Furthermore, sales of creative lifestyle related equipment were up 14.4%, thanks to strong sales of gas heat-pump air conditioners.

In addition to a rise in net sales, factors behind the growth of operating income include across-the-board efforts to streamline procedures and improve efficiency, such as cost cutting and production line consolidation. As a result of these measures, selling, general and adminis-

trative expenses ratio to net sales dropped to 8.9%, down 0.3% from the preceding fiscal year.

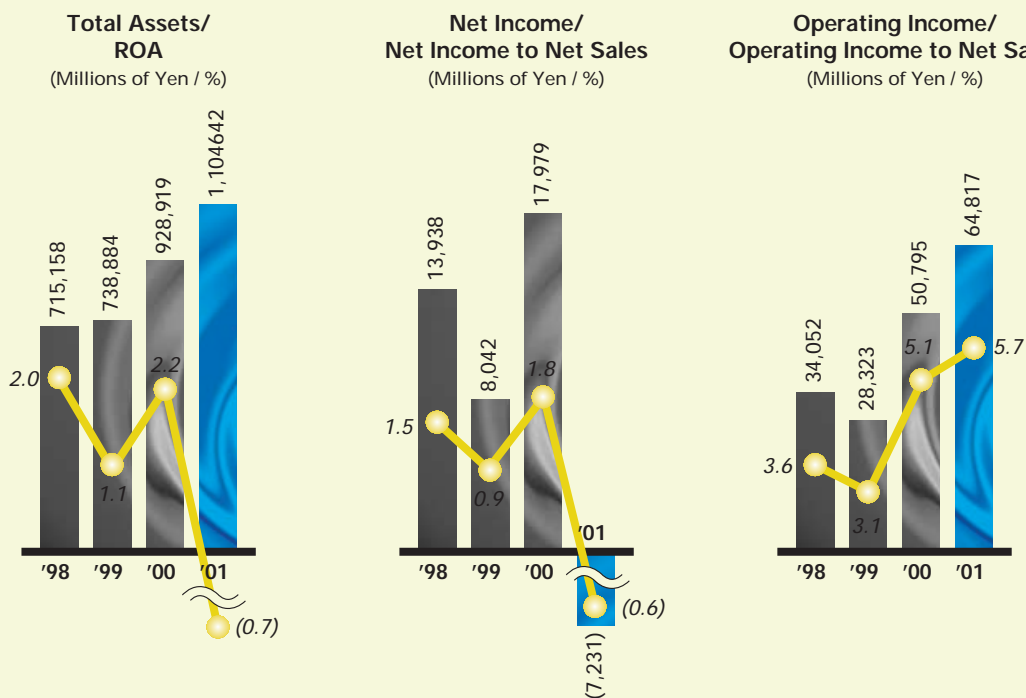
The contribution of overseas sales to consolidated net sales rose 4.6% to 19.9%. Combined with the special factor of a change in the fiscal term of an overseas subsidiary, brisk automobile sales in Europe and the United States supported this growth.

#### 2. Income before Income Taxes and Net Income

Income before income taxes turned to a loss of ¥9.9 billion (US\$80 million), compared with the previous year's ¥47 billion gain. This decline came about because ¥73 billion in special losses, that were incurred as transitional provision generated from a change in the accounting method for retirement benefits, were changed to income in a current single year. Similarly, a net loss of ¥7.2 billion (US\$58 million) was recorded, in contrast to the previous year's net income of ¥18 billion.

#### 3. Financial Position

Consolidated total assets increased to ¥1,105 billion (US\$8,916 million), increasing 18.9% over the prior fiscal year. The growth came about because securities increased as a percentage of current assets and



Accounting Standards for Financial Instruments were applied to investments and the like, making it possible to book ¥106.4 billion in evaluation gains from investment securities.

Total liabilities on a consolidated basis climbed to ¥598 billion, up 25.4%, because reserves for retirement benefits were set up under accounting standards for retirement benefits.

The amount of Shareholders' Equity rose to ¥415 billion, up 14.4% from the previous fiscal year, as ¥62 billion in unrealized gain from revaluation of available-for-sale securities was included due to changes in the accounting method.

#### 4. Cash Flows

Net income before income taxes decreased ¥57.1 billion to a loss of ¥9.9 billion, operating cash flows increased by ¥15.6 billion from the previous fiscal year to ¥123.5 billion, due to such factors as the setting up of reserves of ¥75 billion for retirement benefits.

The partial curtailment of acquisition of investment securities and other means increased cash from investing activities by ¥19 billion.

Meanwhile, ¥8 billion was used in financing activities

to repay long-term debts.

As a result, the cash balance at the end of March 31, 2001 increased ¥29.9 billion to ¥106 billion.

#### 5. Capital Investment

As a result of investment in new products and improved products that support new car models and investment in research and development of new technologies and products, capital investment for the year under review totaled ¥81 billion. This amount was almost within depreciation expenses of ¥83 billion, reflecting comprehensive streamlining and efficiency improvement efforts.

#### 6. Future Outlook

Consolidated net sales for fiscal 2001, ending March 2002, are expected to increase slightly to 0.1% from fiscal 2000, to ¥1,130 billion. The reason is that production systems are to be ramped up in North America and the Asian region to deal with fierce competition within the automobile industry, which is heating up on a global scale. Meanwhile, consolidated operating income is forecast to drop to ¥60 billion, down 5.0%, and net income of ¥24 billion is projected, improving from a net loss of ¥7.2 billion for the year ended March 31, 2001.

