

Overview

AISIN SEIKI CO.,LTD. and its Consolidated Subsidiaries have their own rolls, such as manufacturing, sales, research and development. Each company corporate each other, and AISIN establishes new companies or reorganizes in order to meet to customers' and market trends.

The number of consolidated subsidiaries for fiscal year ended March 31, 2003, totaled 106, an increase by 4 compared with the previous fiscal year including TANGSHAM AISIN GEAR CO., LTD. in China which has been transferred from affiliates accounted for under the equity method due to the increase of AISIN's shares. The number of affiliates accounted for under the equity method is 14, as decrease by 1 compared with the previous year.

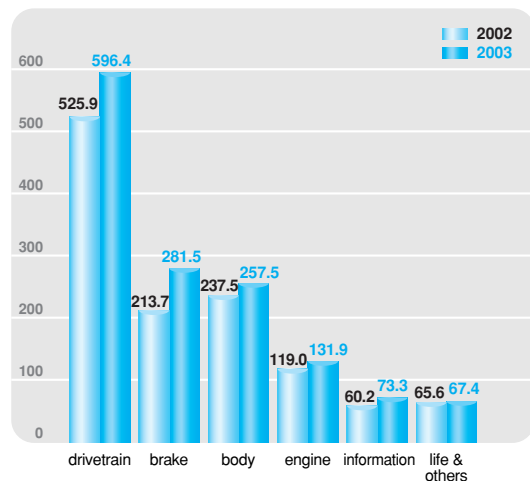
Results of Operation

Net Sales

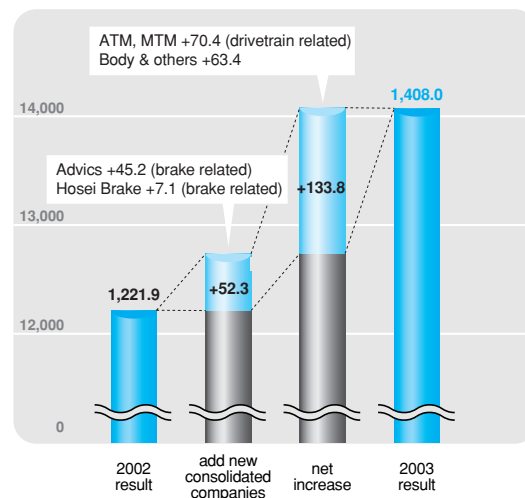
Consolidated net sales for fiscal year ended March 31, 2003, increased 15.2% to ¥1,408 billion (US\$11,714 million) compared with the previous fiscal year.

Net sales increased on the strength of operations in several sectors. Sales of brake and chassis related products increased 31.8%, since Advics Co., Ltd. and Hosei Brake Industry Co., Ltd. were fully consolidated for fiscal year ended March 31, 2003, but partiality consolidated for the previous year. Sales of drivetrain related products improved 13.4% due mainly to increase in sales of automatic transmissions.

Net Sales by Item [Billions of Yen]

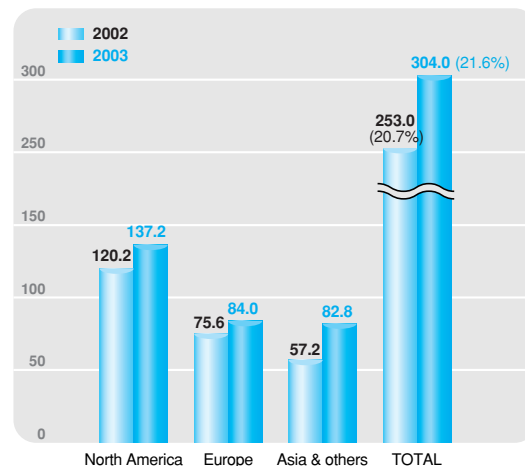


Analysis of Net Sales [Billions of Yen]



Additionally, AISIN is expanding global activities and increasing production facilities in other countries. The contribution of overseas sales to consolidated net sales rose by 0.9% to 21.6%.

Sales to Overseas [Billions of Yen]



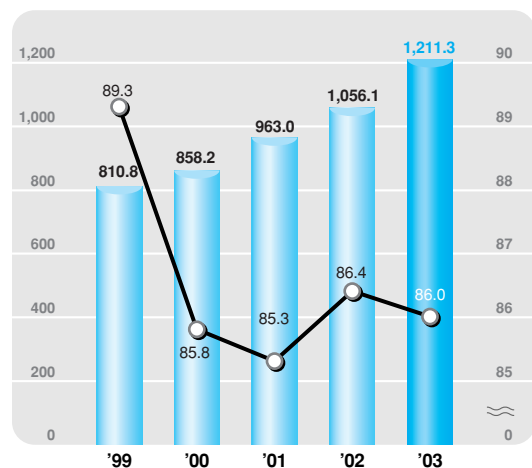
*Parenthesis indicates the rate to total of sales.

Operating Costs and Expenses

AISIN has improved efficiency, such as cost cutting and production line consolidation in the whole management sections. As a result, a rate of cost of goods to sales for fiscal year, ended March 31, 2003, decreased by 0.4% to 86.0% compared with the previous fiscal year.

Cost of Sales (COS) / COS to Net Sales Ratio

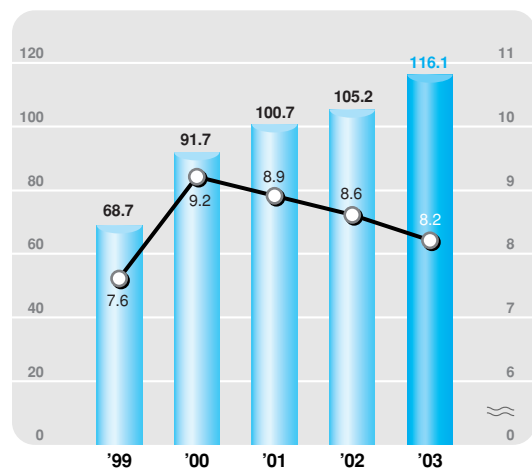
[Billions of Yen / %]



On the other hand, selling, general and administrative expenses ratio to sales for fiscal year, ended March 31, 2003, decreased by 0.4% to 8.2% compared with the previous fiscal year.

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

[Billions of Yen / %]

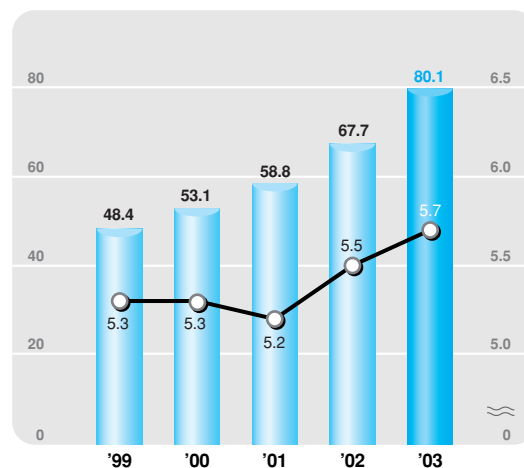


R&D expenses

Research and development expenses, included in SGA and COS increased by ¥12.4 billion to ¥80.1 billion, representing 5.7% to net sales.

R&D Expenses/ R&D Expenses to Net Sales Ratio

[Billions of Yen / %]

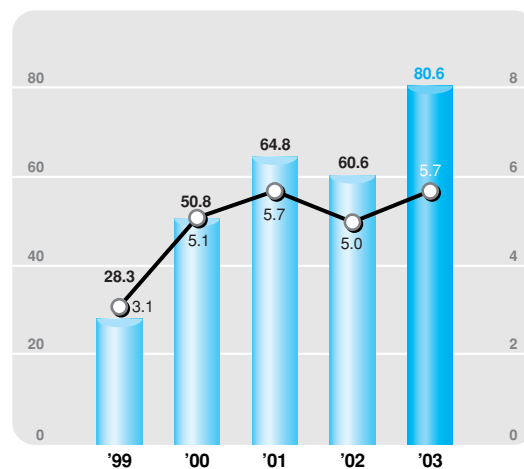


Operating Income

As a result of these measures, operating income increased by 32.9% to ¥80.6 billion (US\$671 million).

Operating Income/ Operating Income to Net Sales

[Billions of Yen / %]



Non-Operating Income and Expenses

Non-Operating income decreased by 15.1%, to ¥10.5 billion (US\$87 million).

Non-Operating Expenses increased by 14.1%, to ¥14.5 billion (US\$121 million). This was caused by exchange loss and value down of marketable investments.

Minority Interest in Net Income of Consolidated Subsidiaries

Minority interest in net income of consolidated subsidiaries increased by 92.5%, to -¥15.8 billion (-US\$ 132 million).

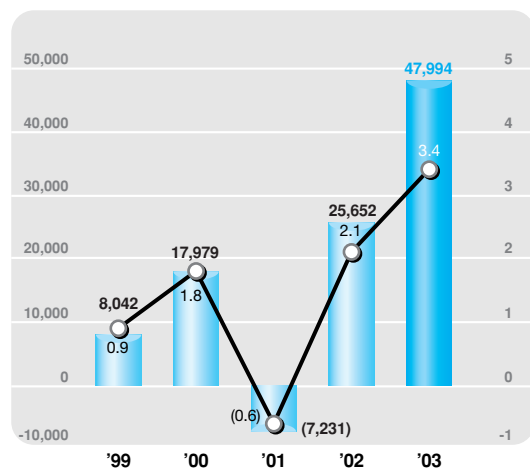
This was caused because net income of Consolidated Subsidiaries increased due to expansions and special income.

Net Income

Net income increased by 87.1%, to ¥48.0 billion (US\$399 million). Net income of this year included net extraordinary income of ¥28.6 billion (US\$238 million), mainly due to return of the Substituted Portion of the Employee Pension Fund to the Government.

Net Income / Net Income to Net Sales

[Millions of Yen / %]



Cash Flow

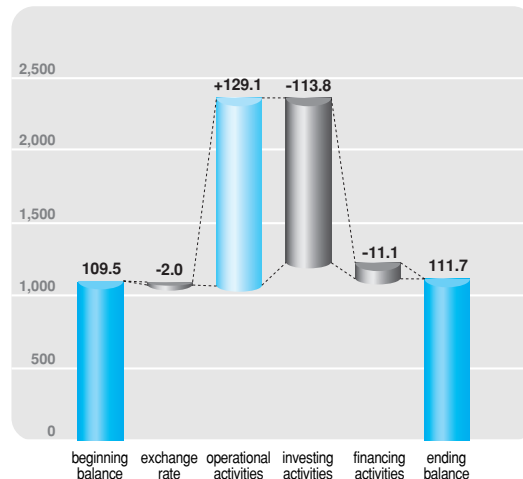
Cash flows provided by operating activities increased by ¥29.5 billion (US\$245 million) to ¥129.1 billion (US\$1,074 million) compared with the previous fiscal year.

Cash flows used in investing activities increased by ¥34.0 billion (US\$283 million) to -¥113.8 billion (-US\$946 million) compared with the previous fiscal year, because AISIN has increased capital expenditures due to the business expansion.

Meanwhile, ¥11.3 billion (US\$94 million) was used in financing activities because of repurchase of treasury stock amounted ¥26.9 billion (US\$225 million), partially offset against additional loans.

As a result, the balance of cash and cash equivalents on March 31, 2003 increased by ¥2.3 billion (US\$19 million) to ¥111.7 billion (US\$930 million).

Cash Flow [Billions of Yen]

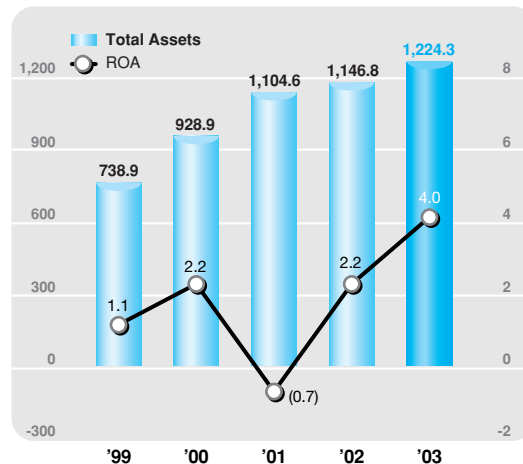


Financial Position

Total assets increased to ¥1,224 billion (US\$10,186 million), or 6.8% over the prior fiscal year. The increase was due to sales and operation expanded.

Total liabilities increased to ¥671 billion, or 10.5%. On the other hand the amount of Shareholders' Equity decreased to ¥429 billion, or 0.8% from the previous fiscal year, because AISIN made additional loan and bought back 16.8 million shares amounting to ¥26.9 billion (US\$224 million) for the purpose of capital efficiency. Additionally unrealized gain on available-for-sale securities decreased by ¥16.0 billion due to decline of the Japan stock market.

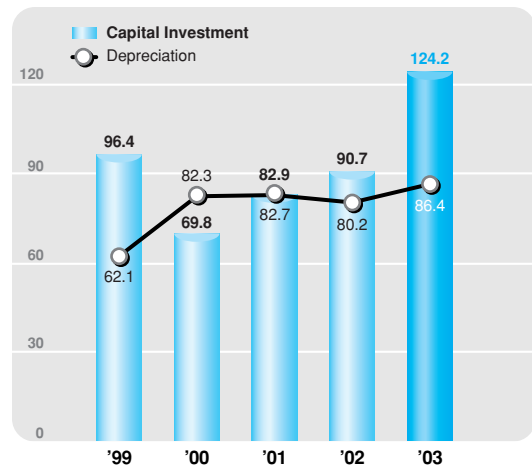
Total Assets / ROA [Billions of Yen / %]



Capital Investment

As a result of investment in new products and products improvement that support new car models and investment in research and development of new technologies and products, capital investment for current year totaled ¥124.2 billion (US\$1,033 million) which increased by 36.9% from the previous fiscal year. Due to the increase of capital investment, depreciation expenses also increased by 7.6% to ¥86.4 billion (US\$718 million) from the previous fiscal year.

Capital Investment / Depreciation [Billions of Yen]



Financial Strategy

We are currently engaged in various activities including improvement on profitability, asset efficiency, and financials.

First of all, in order to improve margins, we are trying to promote development of highly value-added products, and to accelerate cost reduction initiative, which is called the “C 21 Activity.”

The C21 Activity was implemented to respond to Toyota's CCC 21.

This aims to achieve the drastic cost reduction by the end of 2003 through structural reform on products.

Secondly, for enhancing capital efficiency, the entire group engages in special activities called “Improvement, Integration and Stop,” and sharing facilities and exchanging process among group companies.

Thirdly, as for financial leverage, we will have capital structure which minimize cost of WACC, while keeping our credit rating.

We are going to consider share buybacks and debt financing.

We have already bought back 16.8 million shares (¥26.9 billion) and raised ¥40 billion for long-term loans in the fiscal year ended March 2003.

We have also introduced the stock option to directors of respective groups, in order to integrate management's profit with the shareholders' profits.

Moreover, timely and fair disclosure is the key for appropriate stock performance, so we try to make fair disclosure with timely manner to shareholders.

Future Outlook

Net sales ending March 2004, are expected to increase by 6.5% from the year ending March 2003, to ¥1,500 billion (US\$12,479 million).

The reason is that Advics Corporation acquires new manufacturing companies in the North America which contributes to net sales amounted ¥23 billion (US\$191 million), and sales of automatic transmissions, body parts, navigation and so on will increase.

Meanwhile, operating income is forecasted to increase to ¥81 billion (US\$674 million), by 0.5%, and net income of 35 billion is projected.

Management of Market Risk

Foreign Exchange Risk

To hedge the foreign exchange risks arising from the export and import of materials, parts and products, AISIN uses foreign currency forward contracts.