

## Message from the President

# Building Harmony with Local Communities in Global Markets in Pursuit of New Product Development and Business Expansion



### Five Consecutive Fiscal Years of Sales Growth Secured by Consolidation of Group Strengths

#### —Fiscal 2004 Overview and Fiscal 2005 Projections—

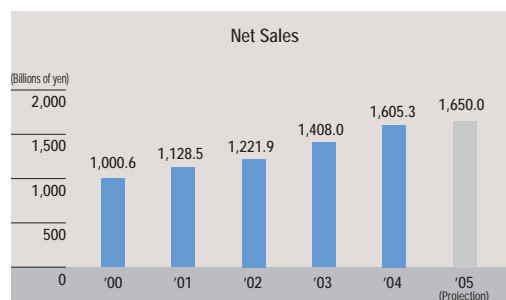
In fiscal 2004 ended March 31, 2004, the automobile industry witnessed a rise in Japanese exports, predominantly to North America and Asia, and annual unit production topped that of the previous fiscal year.

Meanwhile in the life-related industry, while consumer sentiment has failed to rebound, price competition continues to escalate. To address these trends, we channeled our full resources into developing new products that anticipate societal changes and customer needs and expanded operations in global markets, the result of which produced consolidated net sales, consolidated operating income and consolidated ordinary income exceeding fiscal 2003 figures.

Consolidated net sales, in particular, rose for the fifth consecutive term since fiscal 2000 to achieve a record high of ¥1,605,252 million (US\$15,188 million), an increase of 14.0% over the previous fiscal year. Key drivers were dramatic sales growth amid rising unit

production among customers for automatic transmissions (ATs), antilock brake systems (ABSs), power sliding door systems, power back door systems and occupant weight sensors. Moreover, consolidated operating income increased 7.7% to ¥86,768 million (US\$821 million) on account of increased production volume and cost reduction efforts, and consolidated ordinary income rose for the second straight year by 10.5% to ¥84,654 million (US\$801 million), reaching a record high.

In fiscal 2005, consolidated net sales are expected to increase 2.8% to ¥1,650,000 million (US\$15,612 million), consolidated operating income will likely edge up 0.3% to ¥87,000 million (US\$823 million) and consolidated ordinary income is anticipated to increase 0.4% to ¥85,000 million (US\$804 million).





Given the uncertainty surrounding the future course of overseas markets and exchange rates, worries abound of an undersupply and steep price rise in raw materials that could further exacerbate the operating environment. We are resolved to bolster sales within the global playing field and nurture new customers by aggressively developing technologies and launching attractive products into the market.

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## **Growing Alongside Local Communities through Corporate Activities**

### **—Globalization—**

To expand operations in the global market we have augmented production bases in countries around the world and accelerated the refinement of a global marketing and development structure. These efforts boosted the percentage of overseas sales to net sales by 3.1 percentage points in fiscal 2004 to 24.7%. Moreover, the number of consolidated subsidiaries overseas totaled 26 in North America, six in Europe and

27 in Asia and other regions. In North America, China and ASEAN countries, in particular, aggressive efforts to expand the production structure resulted in the total number of overseas production bases increasing to 41 bases in 13 countries. Future pursuits will entail further expansion of the number of bases in Europe, South America and Oceania, and bolstering of the global supply structure to achieve our vision of becoming a worldwide supplier.

In terms of activities undertaken within each region, we continued to secure growth in the automobile market of North America with its solid economic infrastructure. Considering that North America constitutes AISIN's second core market, our chief goal there now is to bolster business activities with major U.S. and Japanese automobile manufacturers by working to expand the number of product lineups available and augmenting the production capacity at all our American operations, including those in Canada, Mexico and Brazil.

In Europe, local economies were bustling with the entry of new members into the EU, the effects of which are expected to stimulate growth in the automobile market as well. We expanded business with leading



local automobile manufacturers chiefly through the medium of ATs, thereby bolstering our presence within the European market. Working from this springboard, we are augmenting the production capacity and product lineup and developing a supply structure in the region.

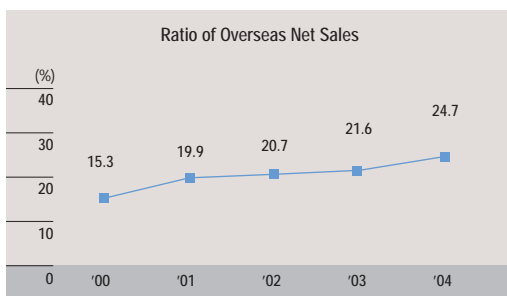
In Asia, the automobile market in China, India and ASEAN countries is rapidly expanding and attracting attention as one of the 21st century's most promising markets. As a means of steadily meeting this rapid expansion in demand and growing our businesses, we are promoting marketing activities by capitalizing on our wide array of businesses and aggressively bolstering production bases in different parts of Asia.

Our dream to develop into a worldwide supplier will come to nothing unless we build production bases to cover the global grid of markets, contribute to the communities we operate in through corporate activities and grow alongside them. In the term ahead, our globalization efforts will continue unabated through our readiness to "cover every market in which automobile manufacturers operate."

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### **Pursuing Development in Challenging Technological Fields is the Mission of a Manufacturer**

#### **—Bolstering Technological Development Capabilities—**



The level of competition in technological development within the automobile industry grows fiercer by the day. Companies operating in this climate must continue to invest in development of advanced technologies in order to maintain supremacy with products and technology.

In this regard, AISIN's fundamental stance to concentrate energies on developing visionary technologies while remaining undaunted by temporary shifts in the

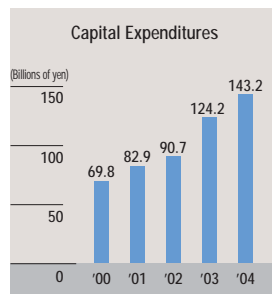
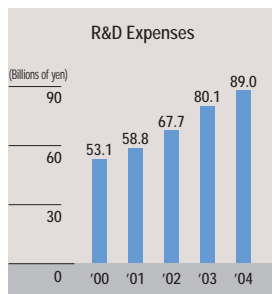


operating environment or by immediate business results, coincides with its mission as a manufacturer to unveil technologies and products the world has never seen. We conduct aggressive technology and product development cognizant of the fact that technological development is the fuel for future growth and the source of our competitiveness.

One success in R&D activities includes the initial worldwide release of the FWD 6-speed AT, which realizes a compact design, improved drivability and higher fuel efficiency, and is being supplied to Volkswagen AG (Volkswagen) for the *New Beetle Cabriolet* and AUDI AG (AUDI) for the *TT Coupe*. A variety of other new products were also released in

the market during fiscal 2004. In the mainstay drivetrain related products business, RWD 6-speed ATs were supplied to Toyota Motor Corporation (Toyota) for the *Celsior (LEXUS LS430)* and FWD 6-speed ATs were supplied to PSA Peugeot Citroën S.A. (Peugeot) for the *407* model. In the information related products business, we jointly developed with Toyota the world's first "Intelligent Parking Assist" system that controls steering during back-in and parallel parking, and began supplying it to the Toyota *Prius*.

However, to continue releasing preeminent, competitive products AISIN must invest in R&D at higher levels than in the past. It is therefore vital that we have sufficient resources at hand, particularly in fields that require us to develop our own products. In realizing that our current investment in R&D is insufficient, we have set the goal of addressing customer needs by actively investing in R&D, augmenting evaluation facilities and promptly introducing new products to the world.





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## Addressing Environmental Problems and Striving for Harmony with Society as a Respected Corporate Citizen

### —Promotion of Environmental Preservation Activities—

In line with its vision of “Harmony with Society,” AISIN holds alleviation of environment problems as a top management priority. If a company does not live in balance with society and the environment, even if it strives earnestly to grow, it will eventually weaken and fall. In order to pass down the heritage of our precious earth to later generations, we manufacturers are obligated to stop further pollution of the environment, which is why we at AISIN have undertaken the mission to recycle and conserve energy. It is also crucial that society as a whole shift toward more sustainable practices strongly oriented toward recycling and energy conservation.

AISIN is chiefly a manufacturer of automobile components and consumes vast amounts of energy during production processes. Moreover, AISIN’s products have a considerable impact on the environment themselves, as they are employed as components in

customers’ automobiles. In this regard, we are well aware of the substantial impact, while indirect, that our corporate activities have on the environment during production processes as well as throughout the entire stream of operations.

From this perspective, our environmental efforts target both the reduction of environmental load during production as well as improvement of the environmental friendliness of products. To reduce environmental load during production we are working to eliminate the use of hazardous chemicals, pursuing activities to resolve energy problems by reducing CO<sub>2</sub> emissions by 5%, and pursuing the total elimination of waste, including incinerated waste. On the product front, the entire AISIN Group is working to improve automobile fuel efficiency and reduce both vehicle weight and the use of polluting materials during production.

In the term ahead, AISIN and its employees will reflect on what opportunities are currently available to help improve society, and work to achieve harmony with society as a respected corporate citizen.



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## **Widening the Circle of Harmony through Establishment of the AISIN Code of Conduct and Corporate Citizenship Activities**

**—Corporate Social Responsibility—**

While growing as a company, management considers its fundamental role to be that of actively embracing its social responsibilities as a member of society, and has spelled this out through the creation of its “AISIN Corporate Activity Charter.” While informing society of AISIN’s stance, the Group is also striving to realize its Corporate Principles in promoting “enhanced value creation,” “continuous global growth,” “harmony with society and nature” and “individual creativity and initiative,” and has established action guidelines to further support these principles.

In combination, we created the Action Ethics Guide as a standard for employees to observe laws, social rules and manners, and make it readily available to all AISIN employees. While clarifying corporate ethics within Group and affiliated companies, we are setting up contact counters within the Group regarding all aspects of compliance in order to counsel employees

and their families to prevent violations of the Action Ethics Guide and to promptly resolve situations in which a violation has occurred. We are also striving to ensure that all employees in both Group and affiliated companies embrace this guide through the establishment of both a corporate code of conduct for the entire Group as well as an accompanying framework for this code.

With regard to corporate citizenship activities, in order to be a company that is kind to both people and the earth, we are voluntarily conducting corporate citizenship activities closely tied to local communities under the slogan of “Be With” (Living Harmoniously Together), to inspire each employee to fulfill their social responsibility as a respected corporate citizen. We aim to expand our “Circle of Harmony” with the greater global community by enlarging the number of volunteer and other activities available within the Group.