

Notes to the Consolidated Financial Statements

AISIN SEIKI CO., LTD. and Subsidiaries
Years ended March 31, 2004 and 2003

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by AISIN SEIKI CO., LTD. ("Aisin Seiki") and its subsidiaries (together, "AISIN") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of international Accounting Standards, and are compiled from the consolidated financial statements prepared by Aisin Seiki as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

2. Yen and U.S. Dollar Amounts

All yen figures have been rounded to millions of yen. Amount in United States dollar 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, 2004 of ¥105.69=US\$1 has been used in the translation.

3. Reclassification

Certain comparative figures have been reclassified to conform with the current year's presentations.

4. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of Aisin Seiki and all of its subsidiaries, 114 subsidiaries (58 domestic subsidiaries and 56 overseas subsidiaries) in 2004 and 106 subsidiaries (57 domestic subsidiaries and 49 overseas subsidiaries) in 2003. For the year ended March 31, 2004, 9 subsidiaries were newly added to the scope of consolidation. All significant intercompany accounts and transactions and unrealized profit among the companies, if any, have been eliminated in consolidation.

Most of Aisin Seiki's overseas subsidiaries close

their books at December 31 every year, three months earlier than Aisin Seiki. Aisin Seiki consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between subsidiaries' year-end and the Aisin's year-end are adjusted on consolidation.

For the year ended March 31, 2004, Aisin Seiki consolidated 15 months results of eight consolidated companies including Aisin Sales Co., Ltd. and Aisin Kiko Co., Ltd. because they changed their closing date from December 31 to March 31. Aisin Seiki consolidated 14 months results of six consolidated companies including Aisin Sin'ei Co., Ltd. and Konan Kogyo Co., Ltd. because they changed their closing date from January 31 to March 31. And Aisin Seiki consolidated 13 months results of 16 consolidated companies including Aisin Takaoka Co., Ltd. and Aisin AW Industries Co., Ltd. because they changed their closing date from February 28 to March 31.

Overseas subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan.

Goodwill is amortized over 5 years from occurred period. In case where the amount is not significant, it is charged to income as incurred. 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.

(2) Investments in Affiliates

The investments in all affiliates (14 companies in 2004, 14 companies in 2003) are accounted for under the equity method.

(3) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, all highly liquid debt instruments with an original maturities of three months or less are considered as cash equivalents.

(4) Financial Instruments

(a) Securities

AISIN does not have trading securities, which are held for the purpose of generating profits on short-term differences in prices or held-to-maturity debt securities, that AISIN has intent to hold to maturity. Other securities with readily determinable fair values are available are stated at fair value.

Net unrealized gains or losses on these securities are included in "Net unrealized gain on available-for-sale securities" as a separate item in the shareholders' equity at a net-of-tax amount. Gains and losses on disposition of such securities are computed by the moving average method.

Other securities without readily determinable fair values are stated at cost, as computed by moving average method.

(b) Derivatives

All derivatives, except for hedging instruments, are stated at fair value, with change in fair value included in net profit or loss for the period in which they arise. The derivatives designated as hedging instruments by AISIN are principally interest swaps and forward exchange contracts.

The related hedged items are trade accounts receivable, loans, securities and long-term debt. AISIN has a policy to utilize the above hedging instruments in order to reduce the exposure to the risk of interest rate and exchange rate fluctuation. Thus, AISIN's purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

AISIN evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(5) Inventories

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

(6) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed mainly by the declining balance method at rates based on the useful lives and residual values of the assets stipulated by the tax law in Japan. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 31, 2005. The Company does not adopt the standard for fiscal year ended March 31, 2004, and the Company's fixed assets have not been reviewed for impairment accordingly.

(8) Accounting for Finance Lease

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(9) Allowance for Employee Retirement Benefits

AISIN accrues amount which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of year.

(10) Allowance for Retirement and Severance

Benefits for Directors and Corporate Auditors

AISIN provide for the accrued cost of retirement benefits payable to directors and corporate auditors at an amount equivalent to 100 per cent of such benefits for which AISIN would be required to pay on the directors' retirement benefit rule.

(11) Allowance for Doubtful Accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

(12) Accrued Warranty Cost

Accrued warranty cost has been provided for at the aggregate amount of estimated claim incurred in warranty period based on historical experience.

(13) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(14) Translation of Foreign Currency Accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates at the fiscal year-end.

Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year.

Translation differences, after allocating to minority interest for portions attributable to minority interest, are reported as foreign currency translation adjustments in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

(15) Appropriation of Retained Earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(16) Per Share Data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects and as if warrants or stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared by Aisin Seiki as applicable to the respective years.

5. Marketable Securities

Marketable investment securities are classified as other than trading or held-to-maturity, that is to say, available-for-sale securities, and are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized.

As of March 31, 2004 and 2003, gross unrealized gains and losses for marketable securities included in short term investments and investments in securities are summarized as follows;

Securities with Carrying Amounts Exceeding Acquisition Cost

	Millions of Yen		
	2004		
	Cost	Fair and Carrying Value	Unrealized Gains
(1) Stocks	¥45,287	¥146,205	¥100,918
(2) Bonds			
Government	6,975	7,046	71
Corporate	3,089	3,103	14
(3) Others	1,101	1,101	0
Total	¥56,452	¥157,455	¥101,003

Securities with Acquisition Cost Exceeding Carrying Amounts

	Millions of Yen		
	2004		
	Cost	Fair and Carrying Value	Unrealized Losses
(1) Stocks	¥ 30	¥ 29	¥ (1)
(2) Bonds			
Government	600	599	(1)
Corporate	3,228	3,207	(21)
Others	211	211	(0)
(3) Others	842	842	(0)
Total	¥ 4,911	¥ 4,888	¥ (23)
Grand Total	¥61,363	¥162,343	¥100,980

Securities with Carrying Amounts Exceeding Acquisition Cost

	Millions of U.S. Dollars		
	2004		
	Cost	Fair and Carrying Value	Unrealized Gains
(1) Stocks	\$429	\$1,384	\$955
(2) Bonds			
Government	66	67	1
Corporate	29	29	0
(3) Others	10	10	0
Total	\$534	\$1,490	\$956

Securities with Acquisition Cost Exceeding Carrying Amounts

	Millions of U.S. Dollars		
	2004		
	Cost	Fair and Carrying Value	Unrealized Losses
(1) Stocks	\$ 0	\$ 0	\$ (0)
(2) Bonds			
Government	6	6	(0)
Corporate	31	30	(1)
Others	2	2	(0)
(3) Others	8	8	(0)
Total	\$ 47	\$ 46	\$ (1)
Grand Total	\$581	\$1,536	\$955

Securities with Carrying Amounts Exceeding Acquisition Cost

	Millions of Yen		
	2003		
	Cost	Fair and Carrying Value	Unrealized Gains
(1) Stocks	¥37,414	¥ 91,807	¥54,393
(2) Bonds			
Government	3,748	3,893	145
Corporate	4,893	4,906	13
(3) Others	2,110	2,111	1
Total	¥48,165	¥102,717	¥54,552

Securities with Acquisition Cost Exceeding Carrying Amounts

	Millions of Yen		
	2003		
	Cost	Fair and Carrying Value	Unrealized Losses
(1) Stocks	¥ 3,927	¥ 3,307	¥ (620)
(2) Bonds			
Government	104	104	(0)
Corporate	1,947	1,939	(8)
Others	302	302	0
(3) Others	1,150	1,149	(1)
Total	¥ 7,430	¥ 6,801	¥ (629)
Grand Total	¥55,595	¥109,518	¥53,923

6. Investments in Affiliates

The amounts of investments in affiliates included in Investments in securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Investments in securities	¥28,322	¥27,272	\$268

7. Inventories

As of March 31, 2004 and 2003, inventories consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Finished products	¥47,633	¥40,464	\$451
Work in process	22,632	27,428	214
Raw materials and supplies	29,253	26,015	277
Total	¥99,518	¥93,907	\$942

8. Assets Pledged as Collateral

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Investments in securities	¥16,640	¥16,173	\$157
Property, plant and equipment (at net book value)	10,525	12,532	100
Other investments	1,022	150	10
Total	¥28,187	¥28,855	\$267

9. Contingent Liabilities

Total contingent liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Guarantee of Bank Loans of			
Employees	¥ 65	¥ 71	\$ 1
Others	1,750	1	16
Total	¥1,815	72	\$17
Export Bills Discounted	¥ —	¥779	\$—

10. 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 life & energy related 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. Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2004 and 2003 were as follows;

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Research and Development Expenses	¥89,076	¥80,075	\$843

13 Bonds Payable and Borrowings

Bonds payable as of March 31, 2004 and 2003 consisted of the following:

Issued by	Item	Millions of Yen		Millions of U.S. Dollars	Annual interest	Year of Due
		2004	2003	2004		
Aisin Seiki	Unsecured Convertible Bonds*	¥ —	¥29,116	\$ —	2.00%	2004
Aisin Seiki	Unsecured Straight Bonds	15,000	15,000	142	2.65	2008
Aisin Seiki	Unsecured Straight Bonds	10,000	—	95	0.965	2011
AISIN AW	Unsecured Straight Bonds	5,000	5,000	47	1.59	2004
AISIN AW	Unsecured Straight Bonds	—	5,000	—	1.35	2003
AISIN CHEMICAL	Unsecured Straight Bonds	150	—	1	0.59	2006
AISIN SINWA	Unsecured Straight Bonds	500	—	5	0.19	2009
Total		¥30,650	¥54,116	\$290		

* The conversion period of the unsecured convertible bonds was from January 4, 1995 to March 30, 2004 and the conversion price was ¥1,435 (\$11.94) per share as of March 31, 2003.

11. Leases

The aggregate future minimum payments for finance leases and non-cancelable operating leases as of March 31, 2004 and 2003 were as follows:

(1) Finance leases (as lessee) other than those where ownership is considered to be transferred to the lessee

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Due within one year	¥2,235	¥1,897	\$21
Due after one year	3,943	3,478	37
Total	¥6,178	¥5,375	\$58
Lease Expenses for Fiscal Year	¥2,315	¥2,036	\$22

(2) Operating leases (as lessee)

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 973	¥ 745	\$ 9
Due after one year	2,813	1,740	27
Total	¥3,786	¥2,485	\$36

12. Derivatives

All derivatives are utilized for the hedge purpose of reducing its exposure to adverse fluctuations in interest rates and foreign exchange rates and accounted for under hedge accounting.

The trades of derivatives are limited by internal regulations.

Borrowings as of March 31, 2004 and 2003 consisted of the following :

Accounts	Millions of Yen		Millions of U.S. Dollars	Annual interest	Year of Due
	2004	2003	2004		
Short-term borrowings	¥ 50,900	¥ 62,285	\$ 482	1.05%	
Current portion of long-term debt	2,128	7,393	20	1.15	
Long-term debt	104,320	44,927	987	1.01	2005-2014
Total	¥157,348	¥114,605	\$1,490		

Annual Maturities of Long-term Debt are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
Year ending March 31,		
2006	¥ 6,552	\$ 17
2007	17,295	10
2008	4,289	6
2009	13,374	2
2010 and thereafter	62,809	391
Total	¥104,319	\$426

14. Allowance for Employee Retirement Benefits Employee

AISIN has defined benefit pension plans, defined contribution pension plans and lump-sum retirement benefit plans which substantially cover all employees. In October 2002, a defined contribution pension plans has been established in order to substitute a portion of

defined benefit pension plans that has been transferred to the government.

The following table reconciles the benefit obligation and net periodic retirement benefit expense as at or for the years ended March 31, 2004 and 2003.

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥182,224	¥173,880	\$1,724
Fair value of pension plan assets at end of year	(105,355)	(71,666)	(997)
Projected benefit obligation in excess of pension plan assets	76,869	102,214	727
Unrecognized prior service cost	17,002	19,289	162
Less, unrecognized actuarial loss	(34,340)	(51,996)	(325)
Unrecognized pension plan assets	2,905	—	27
Prepaid pension cost	11,093	1,699	105
Net amounts of employee retirement benefit			
Liability recognized on the consolidated balance sheets	¥ 73,529	¥ 71,206	\$ 696

Note: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Laws.

Aisin Seiki and major 18 domestic consolidated subsidiaries applied the transitional treatment specified on paragraph 47-2 of Accounting Committee Report No.13 "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)," issued by the Japanese Institute of Certified Public Accountants, and recognized an extinguishment of retirement benefit obligation with respect to such entrusted government's portion as of the

date of the approval. As a result, AISIN recorded ¥45,533 million as extraordinary gains in the consolidated statements of income for the fiscal year ended March 31, 2003.

The impact which was caused by partial transfer from benefit pension plans to defined contribution pension plan were as follows:

Fiscal year	Millions of Yen
	2003
Decrease of projected benefit obligation	¥(28,028)
Less, unrecognized actuarial differences (loss)	6,618
Unrecognized prior service cost	(6,513)
Unrecognized pension assets	12,172
Decrease of allowance for retirement benefits	(15,751)

15. Contribution to New Pension Benefit Plan for Employees and Recognized Actuarial Loss on Employee Pension Fund

A part of Aisin Employee Pension Fund under joint trust in which 19 consolidated companies take part has been transferred to defined contribution plan based on approved by the government.

Aisin Seiki adopted Financial Accounting Standards Implementation Guidance No. 1 "Accounting for Transfers between retirement Benefit Plans" issued by the Accounting Standard Board of Japan ("ABS") on January 31, 2002 and Report of Practical Issues No. 2 "Practical Treatment of Accounting for Transfers between Retirement Benefit Plans" issued by ASB on March 29, 2002.

The effect of adoption for these guidances resulted in a record of extraordinary losses of ¥16,927 million in the accompanying consolidated statements of income for the year ended March 31, 2003.

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Component of net periodic retirement benefit expense:			
Service cost	¥9,668	¥ 9,235	\$92
Interest cost	3,467	4,936	33
Expected return on pension plan assets	(2,547)	(4,782)	(24)
Amortization of prior service cost	(2,286)	(1,941)	(22)
Recognized actuarial differences	5,598	1,458	53
Contribution to defined contribution plan	153	155	1
Net periodic retirements benefit expense	¥14,053	¥ 9,061	\$133
Return of the substitutional portion of the employee pension fund to the government	7,319	(45,533)	69
Transfer to defined contribution pension plan and others	—	16,911	—
Others	2,329	855	22
Total	¥23,701	¥(18,706)	\$224

On September 1, 2003, AISIN employees pension fund under joint trust, in which 22 consolidated companies take part, was approved to be transferred into AISIN corporate pension fund, based on the first paragraph of article 112 of the Contributed Benefit Pension Plan Law.

On obtaining that approval, the remaining benefit obligation of substitutional portion, that amount earned by past services, and accumulated assets associated with those benefits was transferred to the government on February 17, 2004.

As a result, AISIN recognized an actuarial loss of ¥7,319 million associated with the transfer of Substitutional Portion, which was reasonably estimated for the period from the approval date to the transfer date.

Amount of pension plan assets equivalent to the amount returned to the government is ¥1,025 million (US\$10 million) as of March 31, 2004.

Major assumptions:	2004	2003
Method attributing the projected benefits to periods of services	Point method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on pension plan assets	2.4%~3.0%	5.5%
Amortization period of prior service cost	10 years	10 years
Amortization of unrecognized actuarial gains or losses	10 years	10 years

Note: "Point method" is the method whereby the sum total of certain amounts given to employees each year and the interest for the projected benefit obligation that was accumulated until the previous year end is the expense of this term.

16. Deferred Income Taxes

(1) A Summary of the Components of Deferred Income Taxes

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Deferred tax assets			
Employee retirement benefit liability	¥29,307	¥32,119	\$277
Accrued expenses	21,562	17,483	204
Depreciation	10,754	10,846	102
Accrued warranty cost	4,521	4,650	43
Others	23,335	19,901	221
Deferred tax assets sub-total	89,479	84,999	847
Valuation allowance	(3,057)	(677)	(29)
Deferred tax assets total	86,422	84,322	818
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	40,271	21,505	381
Special depreciation of acquired assets	2,491	2,452	23
Special depreciation reserves	614	1,016	6
Depreciation	6,930	3,612	66
Others	1,542	1,708	15
Deferred tax liabilities	51,848	30,293	491
Net deferred tax asset	¥34,574	¥54,029	\$327

(2) Reconciliation of the Difference between Statutory Tax Rate and the Effective Income Tax Rate

	2004
Statutory tax rate	41.24%
(Adjustment)	
Tax exempt income	(2.25)
Non-deductible expenses	0.57
Decrease in deferred tax assets due to change of tax rate	1.21
Others	(1.44)
Effective income tax rate	39.33%

For the year ended March 31, 2003 the reconciliation is omitted because the differences between the effective income tax rate and the statutory tax rate is less than 5 percent of the effective income tax rate.

On March 31, 2003, the Japanese National Diet approved changes to the calculation of the statutory local enterprise tax, effective April 1, 2003. Due to those changes, the effective tax rate that are used for

calculation of deferred tax assets and liabilities that will be taxable or deductible after March 31, 2003 has been changed from 41.24% to 39.88%. As a result, net deferred tax assets as of March 31, 2003 decreased by ¥540 million, deferred income taxes and net unrealized gain for the year then ended increased by ¥1,274 million and ¥733 million, respectively.

17. Significant Nonfund Transaction

	Millions of Yen	Millions of U.S. Dollars
	2004	2004
Conversion of convertible bonds		
Increase in common stocks by conversion of convertible bonds	3,909	\$37
Increase in capital surplus by conversion of convertible bonds	3,904	37
Allocation of treasury stocks by covering convertible bonds	23,609	223
Loss on reissuance of treasury stocks following the above	(2,343)	(22)
Total	¥29,079	\$275

18. Segment Information

(1) Industry Segments

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

(2) Geographical Segments

			Millions of Yen		Millions of U.S. Dollars
			2004	2003	2004
Sales	Japan	Customers	¥1,295,626	¥1,191,367	\$12,259
		Intersegment	154,115	112,335	1,458
		Total	1,449,741	1,303,702	13,717
	North America	Customers	188,744	136,032	1,786
		Intersegment	6,451	4,063	61
		Total	195,195	140,095	1,847
	Europe	Customers	77,007	54,142	728
		Intersegment	4,402	3,737	42
		Total	81,409	57,879	770
	Others	Customers	43,875	26,472	415
		Intersegment	4,987	3,469	47
		Total	48,862	29,941	462
		Eliminations	(169,955)	(123,604)	(1,608)
	Consolidated	1,605,252	1,408,013	15,188	
Operating costs and expenses	Japan		1,368,877	1,228,657	12,952
	North America		194,954	137,140	1,844
	Europe		81,487	57,524	771
	Others		42,305	26,844	400
	Eliminations		(169,139)	(122,753)	(1,600)
	Consolidated		1,518,484	1,327,412	14,367
Operating Income	Japan		80,864	75,045	765
	North America		241	2,955	2
	Europe		(78)	355	(1)
	Others		6,557	3,097	62
	Eliminations		(816)	(851)	(7)
	Consolidated		86,768	80,601	821
Assets	Japan		1,301,517	1,122,008	12,315
	North America		178,671	138,568	1,691
	Europe		56,688	46,022	536
	Others		46,377	45,738	439
	Eliminations		(200,668)	(128,025)	(1,899)
	Consolidated		¥1,382,585	¥1,224,311	\$13,082

Geographical segment is realized by geographical closeness.

Main countries are:

(1) North America: U.S.A., Mexico

(2) Europe: Belgium, UK

(3) Others: Taiwan, Thailand, China

Assets eliminations mainly included unallocated corporate items such as Cash and Cash Equivalents of Aisin Seiki.

(3) Sales

(a) Sales by Item

	Millions of Yen			Millions of U.S. Dollars
	2004	Increase	2003	2004
Automotive related				
Engine related	¥ 153,695	¥ 21,803	¥ 131,892	\$1,454
Drivetrain related	673,760	77,386	596,374	6,375
Brake & Chassis related	343,048	61,538	281,510	3,246
Body related	286,230	28,753	257,477	2,708
Information & Other Automotive related	75,901	2,624	73,277	718
Automotive related total	1,532,634	192,104	1,340,530	14,501
Rate to total	95.5%	0.3%	95.2%	95.5%
Life & Energy related	48,339	2,658	45,681	457
Others	24,279	2,477	21,802	230
Grand Total	1,605,252	197,239	1,408,013	15,188

(b) Sales By Geographic Area

	Millions of Yen			Millions of U.S. Dollars
	2004	Increase	2003	2004
Overseas				
North America	¥ 192,520	¥ 55,339	¥ 137,181	\$ 1,822
Europe	108,942	24,893	84,049	1,031
Asia & Others	95,478	12,675	82,803	903
Overseas total	396,940	92,907	304,033	3,756
Rate to total	24.7%	3.1%	21.6%	24.7%
Japan	1,208,312	104,332	1,103,980	11,433
Grand Total	1,605,252	197,239	1,408,013	15,188

Main countries or regions are:

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

19. Related Party Transactions

During the years ended March 31, 2004 and 2003, Aisin Seiki had operational transactions with Toyota Motor Corporation, 23.3% shareholders of Aisin Seiki.

A summary of the significant transactions between Aisin Seiki and such a company for the years ended, or as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
For the year:			
Purchases of parts	¥ 14,592	¥ 14,883	\$ 138
Sales of automotive parts	271,079	263,958	2,565
At the year-end:			
Accounts receivable	¥ 38,908	¥ 34,548	\$ 368
Accounts payable	3,067	2,590	29

20. Shareholders' Equity

(1) The authorized number of shares of common stock is 700 million as of March 31, 2004, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the Commercial Code of Japan and the amended articles of incorporation approved by shareholders at the annual general meeting on June 22, 2004, Aisin Seiki can purchase the treasury stock subject to the resolution of the Board of Directors from that date.

(2) Number of treasury stock held by Aisin Seiki, its consolidated subsidiaries, and affiliates accounted for under equity method is 9,350,986 shares and 24,073,362 shares at March 31, 2004 and 2003, respectively.

21. Stock Based Compensation

In June 2002 and June 2003, the Ordinary General Meeting of Shareholders approved "Share Acquisition Rights", which earmark a maximum of 1,100,000 shares of common stock to be further distributed among directors of Aisin Seiki, its subsidiaries and affiliates. The purpose of this is to enhance enthusiasm and raise morale for improving business performance.

The Share Acquisition Rights were granted at a predetermined exercise price to all directors. The grant price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant or 1.05 times the average closing price in the full calendar month prior to the month of grant date.

Each of the Share Acquisition Rights is exercisable for the period from August 1, 2005 to July 31, 2007.

Another Share Acquisition Right, which totaled 989,000 shares, was approved in June 2002 such right was granted at the exercise price of ¥1,763 and was exercisable for the period from August 1, 2004 to July 31, 2006.

22. Subsequent Event

On June 22, 2004, the following appropriations of retained earnings were approved at an annual general meeting of shareholders of Aisin Seiki:

	<u>Millions of Yen</u>	<u>Millions of U.S. Dollars</u>
Cash dividends	¥2,926	\$28
Bonuses to directors and corporate auditors	225	2