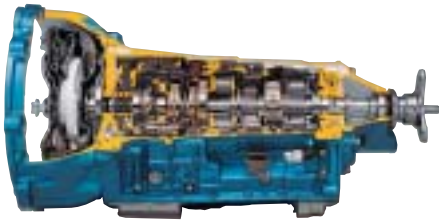


In the fiscal year under review, net sales for the drivetrain related products segment increased 13.0% to ¥673,760 million (US\$6,375 million). The driving force behind this growth was robust sales of ATs at Aisin AW and MTs at Aisin AI. AISIN held onto its position as the leading global AT manufacturer with total annual sales of 4,020,000 units.



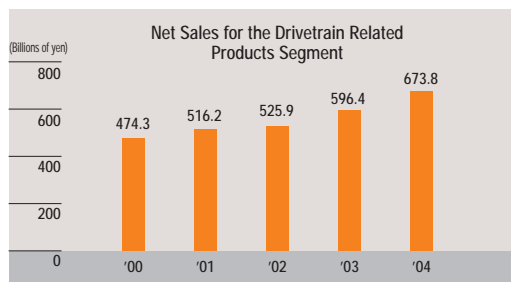
Newly developed FWD 6-speed AT fitted to the Peugeot 407



Newly developed RWD 6-speed AT fitted to the Toyota Celsior (LEXUS LS430)



RWD 6-speed MT offers a sporty ride through improved shift feel



● Development of New Drivetrain Units

During the term, the drivetrain related products segment experienced drastic changes in the markets in which it operates, as reflected in such trends as the shift toward greater fuel efficiency and emphasis on ease of driving. Against this backdrop, the proliferation in the variety of drivetrains available in the market continued unabated, including multi-step transmissions, CVTs, automated manual transmissions and hybrid-driven systems. AISIN is pursuing aggressive development of new drivetrain units directed toward rapidly meeting this diversification in market needs.

● AISIN Products are Respected by Automobile Manufacturers the World Over

To that end, AISIN developed and released new RWD 6-speed and FWD 6-speed ATs during the fiscal year. As follow-up product models to the original 6-speed AT lineup, both the RWD 6-speed and the FWD 6-speed ATs include improvements that contribute to greater torque and a wide variety of engine displacement, thus resulting in potential for more widespread use in automobiles. What chiefly sets AISIN's 6-speed ATs apart from the competition is their ability to both improve drivability and realize higher fuel efficiency, in addition to being easy to install into different models on account of their unparalleled compactness.

During the term, automobile manufacturers were keen to capitalize on the extraordinary features of both ATs, and the Group began supplying FWD 6-speed ATs to Peugeot for the 407 and to Volkswagen for the *Golf Touran*, as well as RWD 6-speed ATs to Toyota for the *Crown* and *Celsior (LEXUS LS430)* models. The transaction with Peugeot during the term was the first instance of doing business with that company. Apart from the 6-speed models, the Group's FWD 4-speed AT was chosen for the first time to be employed in the *Fiesta* and *Fusion* models of Ford of Europe Inc. (Ford of Europe), bringing the current number of AISIN's AT customers to 35.

The crucial challenge for ATs is not only to perform flawlessly but also to perfectly fit the engine and body of manufacturers' automobile models. For this reason, AISIN has established technical centers in Japan as well as the United States and Europe to provide a global structure that can rapidly adapt to the demands of customers worldwide. AISIN aims to use this structure as a platform for further business expansion in world markets.

In MTs, efforts to expand sales for RWD 6-speed MTs resulted in their adoption by Mazda Motor Corporation (Mazda) in the *Roadster (MX-5 MIATA)* and *RX-8* models. In overseas markets, MTs were supplied to General



Motors Corporation (GM) for the first time with regard to the *Chevrolet Colorado* and *GM Canyon* pickup truck models, as well as to General Motors-AVTOVAZ (GM-AVTOVAZ) for the *Chevrolet Niva* model in Russia.

AISIN's CVTs are compact products that employ control technologies developed through the Group's AT business to ensure both higher fuel efficiency and accelerating performance at the optimum transmission gear ratio. They were initially supplied to Toyota for the *Vitz (Yaris)* model, followed by the *Sienta* model. AISIN also began production of metal belts, a key component of CVTs, at CVTEC Co., Ltd., which was jointly founded by the three companies of Aisin AW, Robert Bosch GmbH and Bosch Automotive Systems Corporation, thus consolidating the Group's entire production process for CVTs.

● **AISIN Maintains Leading Share Worldwide Through Unique Technologies and Expertise**

In line with rising environmental consciousness, demand for hybrid cars, as represented by Toyota's *Prius*, will likely expand in the years ahead given their strong reputation in global markets. As a specialty manufacturer of drivetrains, AISIN is developing such systems for hybrid automobiles. With regard to systems currently under development, a proprietary hybrid drive "dual system" that is integrated with an inverter and simultaneously controls both the motor for power generation and for the drivetrain is scheduled for supply in the summer of 2004 to Ford for use in its *Escape* hybrid car.

As demonstrated above, AISIN is working to develop a full lineup of products in the drivetrain related field, including 6-speed ATs, CVTs and hybrid drive systems, which are undergoing greater diversification and technological advancement in order to meet market needs. Concurrently, AISIN is building an unparalleled foundation of technologies and expertise and reinforcing technological development in order to maintain its number-one market share.



CVT using control technology expertise accumulated during AT production



Hybrid drive "dual system" that is integrated with an inverter and simultaneously controls both the motor for power generation and for the drivetrain

In the fiscal year under review, net sales for the brake and chassis related products segment increased 21.9% to ¥343,048 million (US\$3,246 million). Key factors for the increase were strong sales of ADVICS Co., Ltd. (ADVICS) brake systems and brake components both in Japan and abroad.



ESC ensures stability of automobile during cornering



Quiet brake modulator employed in ESC

● Striving to be the Global Technological Standard in the Pursuit of Safety

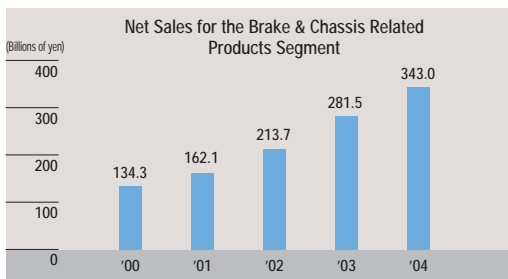
The brake and chassis related products segment, which supplies such individual components as disc brakes and ABSs for use in some of the most crucial functions of automobiles, also recognizes that the ability to supply component-integrated systems containing these pre-installed parts is very important. For that reason, it is essential that suppliers possess more advanced technological capabilities for adapting parts to customer products. AISIN established ADVICS as a brake system supplier that can meet such needs.

In line with the development of brake control systems such as ABS and brake assist, brake products are expected to provide an even higher level of safety. This has led to connectivity between various control devices, including such vehicle controllers as ESCs and steering controllers. AISIN is proactively enhancing its technological development to enable the Group to play a leading role in such technological fields while simultaneously acquiring the global standard in brake and chassis technologies.

● Toward Larger World Share

To that end, AISIN developed and released a new ESC system in fiscal 2004. Unique features of the system are that it operates more quietly than previous systems, has smoother handling and an expanded range of braking control available, while providing this superb functionality in a streamlined system. The system is already available in numerous Toyota models, including the *Celsior (LEXUS LS430)*. Moreover, amid advances in computer-aided braking systems, AISIN is working to release brake devices that coordinate with pre-crash safety systems and regenerative brakes for hybrid cars.

Through these efforts, AISIN will take advantage of crucial electronic control and assessment technologies to bolster development for pioneering brake and chassis systems and raise its global market share as a brake system supplier.



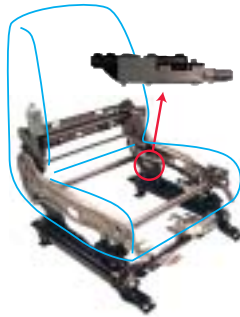
Body Related Products

Automotive Parts and Systems Business

In the fiscal year under review, net sales for the body related products segment rose 11.2% to ¥286,230 million (US\$2,708 million). Key factors for the increase were robust sales for Aisin Seiki's power sliding door systems, occupant weight sensors and seat adjusters.



Center pillarless door latch system fitted to Toyota Raum



Occupant weight sensor ensures passenger safety by preventing overinflation of airbags



Power sliding door and power back door systems easily open and close by remote control

● Product Development that Anticipates User Needs

The body related products segment encompasses meeting a wide range of potential user needs in such areas as safety, comfort, convenience, aesthetics and user-friendliness, which constantly change in step with shifts in users' preferences toward automobiles. Operating in this kind of environment requires companies to take the lead in meeting such needs through the rapid introduction of unique products into the market.

AISIN aggressively develops new products of value that reflect users' needs by relying on a wide array of mechatronic and other technologies that it has accumulated since its inception.

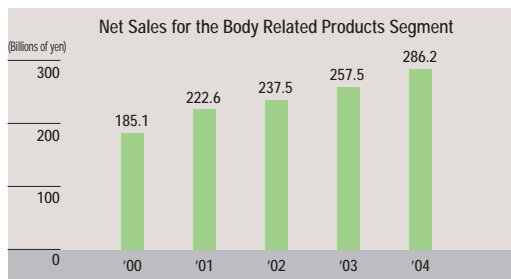
● Pursuing Comfort, Convenience and Safety

In the fiscal year under review, AISIN released a center pillarless door latch system that provides comfort and convenience to passengers. The system eliminates the vertical pillar between the passenger door and back seat door to provide a wider, more comfortable opening for entering and exiting the vehicle, and is being used on the Raum, Toyota's "Universal Design" car.

AISIN has developed and expanded sales for its occupant weight sensor. This sensor detects the weight of the occupant in the passenger seat to prevent injury to infants and children from overinflation of the airbag, and is being increasingly employed by Toyota in its North American models due to its compatibility with U.S. safety regulations.

AISIN has expanded the market by developing user-friendly products ahead of the competition that stress greater comfort, convenience and safety in addition to installability to vehicle body, such as power sliding door systems, power back door systems and door handles for smart key systems*. AISIN aims to develop more user-friendly products, thereby expanding its market-creation business.

*Joint development with DENSO CORPORATION and TOKAI RIKKA CO., LTD.



Engine Related Products

Automotive Parts and Systems Business

In the fiscal year under review, net sales for the engine related products segment rose 16.5% to ¥153,695 million (US\$1,454 million). The major driving force behind this increase was strong sales growth in Japan and abroad for Aisin Seiki's VVTs and water pumps, as well as for the exhaust manifolds of Aisin Takaoka. AISIN held onto its position as the leading global water pump manufacturer, with total annual sales of approximately 5,300,000 units.



Engine front module reduces vehicle weight and costs using combined components



VVTs increase fuel efficiency and reduce emissions



Exhaust modules reduce emissions and vehicle weight

● Contributing to Society with Environmentally Friendly Technologies

In the engine related products segment, fuel consumption and exhaust emission regulations have grown more stringent in numerous countries around the globe, encouraging a variety of measures by industry leaders toward promptly lowering automobile emissions and raising fuel efficiency.

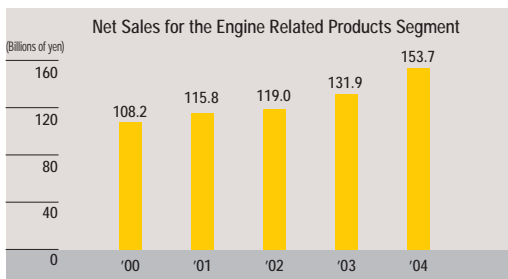
AISIN handles a wide variety of engine peripherals and cast components and employs elemental technologies in the active development of crucial technologies that raise fuel efficiency, boost output and reduce emissions. This includes VVTs which contribute to a reduction in emissions, as well as stainless steel exhaust manifolds which help to reduce weight and lower emissions.

● Augmenting Development of Competitive Products

One example of AISIN's efforts in this area was its expansion of sales of VVTs in fiscal 2004. VVTs control the opening/closing of the engine exhaust valve and ensure optimal engine combustion efficiency, thus raising fuel efficiency and reducing emissions. Shipments of these VVTs to GM commenced in August 2003 for its *Cadillac CTS*, making them the fifth overseas automobile manufacturer to use the system subsequent to Renault S.A., AB Volvo (Volvo), Bayerische Motoren Werke AG (BMW) and Ford Australia.

Along with VVTs, AISIN is also working to boost sales for its exhaust modules, which are highly effective in reducing emissions. Integrating a stainless steel exhaust manifold with a catalyst case, these exhaust modules have gained a sterling reputation for not only reducing emissions but also reducing vehicle weight and being affordable, and are currently used in Fuji Heavy Industries Ltd.'s Subaru *Legacy* model.

By approaching the engine business in this holistic way, AISIN aims to develop technologies that contribute to greater fuel efficiency and lower emissions, as well as expand its lineup of competitive products from the level of components to modules. Similarly, AISIN will redouble efforts at developing core technologies in fuel cell units and control devices to constantly keep pace with the technological innovations taking place in fuel cell-powered automobiles, which are the most common symbol of "clean energy" automobiles.



In the fiscal year under review, net sales for the information related products segment edged up 3.6% to ¥75,901 million (US\$718 million). The key factor for this performance was strong sales growth in car navigation systems at Aisin AW and the parking assist system of Aisin Seiki. AISIN held onto its position as the leading global car navigation system manufacturer with total annual sales of 710,000 units.

● Growing New Business Opportunities with Cutting-edge Technologies

The range of business opportunities in the information related products segment is expanding rapidly as advances in intelligent transport systems (ITS) and interfaces between automobiles and peripheral IT devices make unprecedented levels of safety and convenience possible.

AISIN employs cutting-edge technologies in such fields as electronics and image processing in its aggressive drive to develop new car navigation systems and various information related devices and systems, and hence, to contribute to the creation of unrivaled levels of added value.

Among these activities, the Group launched five navigation systems during the term. Specifically, Audi's A3, A4 and A6 models are installed with a DVD navigation system that includes maps for all of Europe and an audio-visual guidance in five languages. Supply of a DVD system also began for North American models of GM. As the demand for car navigation systems rises both in Japan as well as in North America and Europe, AISIN is endeavoring to raise sales through marketing activities in global markets.



Car navigation system for European Audi models, which includes maps for all of Europe

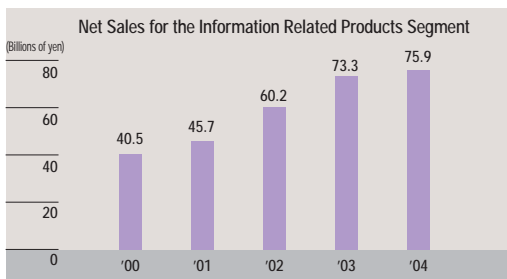


Intelligent Parking Assist fitted in the Toyota Prius

● Commercialization of the World's First Intelligent Parking Assist

Together with Toyota, AISIN developed the "Intelligent Parking Assist" system, which aids drivers in parking their automobiles. The system, which has been incorporated into Toyota's Prius, is a major step forward in parking assist systems. The driver should first indicate a targeted parking spot using an onscreen display. Parallel or back-in parking can thus be easily carried out without the driver's steering operations.

AISIN is augmenting peripheral systems that employ imaging processing technology through the medium of car navigation systems in an effort to expand business in information related fields.



Casting Related Products

Automotive Parts and Systems Business

The casting related products segment handles the processing of component parts for AISIN's products utilizing pressing, aluminum die casting, iron casting and plastic molding. AISIN's aggressive technological and production method development in this field plays an important role in raising the competitiveness of the Group's products, in particular, and the added value available within the Group as a whole. Specifically, Aisin Takaoka is responsible for iron casting, Aisin Chemical for plastic molding and chemical products, Aisin Keikinzo Co., Ltd. for aluminum die casting and extrusion, and Aisin Seiki for both parts pressing and aluminum die casting. No net sales are recorded since all transactions are incorporated in other products segments.



Roof reinforcement ensures safety during collision



Transmission case produced by utilizing aluminum die casting



Spray type damping materials absorb car vibrations through use in floor boards

● Aggressive Development of New Production Methods

The casting related products segment is faced with the difficult challenge of ensuring product functionality and durability aimed at achieving greater fuel efficiency while also contributing to lower vehicle weight. AISIN is actively capitalizing on its strengths in a wide range of casting technologies to resolve such difficulties.

In fiscal 2004, AISIN employed a die quench process in the development of roof reinforcement and door beam systems that lower vehicle weight and reduce costs, and which are employed on Toyota's *Prius*, Daihatsu Motor Co., Ltd.'s *Tanto*, Mazda's *Axela* and numerous other automobile models. The die quench process is a revolutionary method of simultaneously pressing and quenching heated sheet steel to ensure strength comparable to high-tension sheet steel, while also realizing lower costs, lowering vehicle weight and more ably conforming to the automobile's body. AISIN is working to expand the range of product applications that utilize this process. In addition, AISIN undertook aggressive development of new production materials, including spray type damping materials that absorb car vibrations and wet friction materials (segment type discs) for ATs that are manufactured by a new production method which improves yield and dramatically reduces costs.

● Augmenting the Global Supply Structure for Casting Related Products

Products manufactured utilizing aluminum die casting, aluminum extrusion, magnesium die casting and iron casting are central to the casting related products segment. These products are used as the components of mainstay products such as engine peripherals, transmissions, brakes and chassis, and bodies, and are sold both in Japan and overseas in such forms as cylinder head covers, transmission cases and bearing caps. In particular, PT. AT Indonesia is expanding its iron casting business and ramping up production to keep pace with production of Toyota's IMV in ASEAN countries.

In addition, AISIN is further developing new production methods and materials, and refining such elemental technologies as thinning and postprocessing-free methods for casting products. AISIN aims to fortify its global supply structure and boost competitiveness.

In the fiscal year under review, net sales for the life related and other business rose 7.6% to ¥72,618 million (US\$687 million). The largest contributing factor was sales growth in gas engine driven heat-pump air conditioners (GHPs).



“Super Flex Fit Mattress” supports smooth turning



Markets for GHPs continue to expand both in Japan and overseas



Residential fuel cell cogeneration system gains notoriety as an environmentally friendly product

● Providing Ideas for a Comfortable Life Ahead of Societal Changes

Amid changes in the fabric of society, including concerns over environmental issues and the aging of society, the need for energy conservation, health promotion and a comfortable lifestyle will play an increasingly prominent role. In relation, AISIN will pursue business expansion by providing valuable products that anticipate the needs of our customers and society.

AISIN developed and released original concept products in the areas of beds, sewing machines and GHPs during the term. With regard to beds, AISIN released the “Super Flex Fit Mattress,” which uses recently developed pliable elastomer blocks to provide a comfortable sleeping and waking experience and to support smooth turning in bed. AISIN also launched the “QB Series” of all-in-one sewing machines, which combine a sewing machine with a compartment for a sewing box and accessories.

● Sales Promotion Activities Overseas

In 2002 AISIN commenced full-scale sale of GHPs overseas. Top share was acquired in the South Korean market, in particular, owing to efforts to expand sales among schools and the private sector. The gas engine cogeneration system, which was developed by leveraging GHP technologies, employs a gas engine and electric generator for the provision of electricity and hot water. AISIN is marketing these systems to small- and medium-size facilities and stores as a highly efficient, multi-source energy generation device.

To build products that are more environmentally friendly, AISIN is working to develop a residential fuel cell cogeneration system that will become the next generation gas engine cogeneration system.

