

Augmenting the Global Production and Supply Structure to Expand Business in Global Markets

As the economies of BRIC* and Eastern European countries begin to expand, global markets will likely achieve prolonged growth propelled by the new economic engines of such nations. Against this backdrop, AISIN aims to further expand its business activities globally, and promptly develop a structure that enables business expansion on a global scale in order to grow and expand alongside global markets and customers.

*BRIC: Brazil, Russia, India and China

Working Aggressively to Construct a Production and Supply Structure to Raise the Overseas Net Sales Ratio

In the fiscal year under review, net sales totaled ¥1,269,497 million (US\$11,821 million; 69.4% of total net sales) in Japan, ¥273,667 million (US\$2,549 million; 15.0% of total net sales) in North America, ¥166,024 million (US\$1,546 million; 9.1% of total net sales) in Europe and ¥119,877 million (US\$1,116 million; 6.5% of total net sales) in Asia & Others. The ratio of overseas net sales to total net sales rose 5.9 percentage points to 30.6%. Business overseas is anticipated to expand even further as Japanese automobile manufacturers increasingly promote localized production overseas and as the emerging markets undergo motorization.

Accordingly, AISIN worked aggressively to construct a production and supply structure in countries and regions around the world. In the fiscal year under review, consolidated subsidiaries numbered 68 in Japan and 68 overseas, including 29 in North America, seven in Europe and 32 in Asia & Other regions, cumulatively representing a decrease of one subsidiary in Japan and an increase of nine overseas.

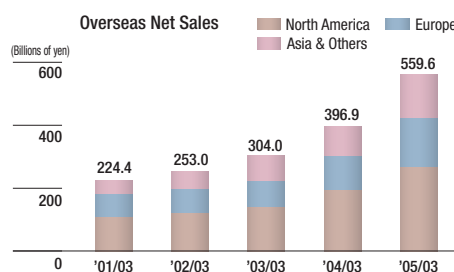
However, operational bases are unequally distributed in such regions as North America, China and ASEAN countries, which indicates that the Group's global structure is unable to fully meet the needs of customers across the globe. AISIN seeks to be trusted as a global partner by customers around the world and

aims to fulfill that trust by ensuring that it operates in every region where customers operate through continued expansion of its bases. To that end, AISIN will continue to augment bases in key markets and establish bases in undeveloped regions.

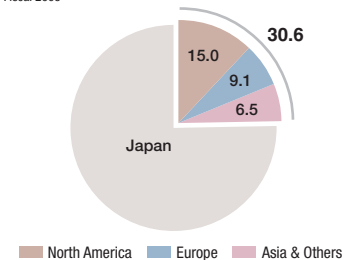
Strengthening the Global Management Structure

As AISIN's global business continues to expand, the number of overseas production bases as well as the necessary resources for capital investment and hiring personnel will increase, which will subsequently intensify the need for more efficient global management. The construction of a network structure that makes optimal use of regional resources and bases will consequently become a pressing challenge, including supplemental production among local bases and the reinforcement of optimized logistics structures and regional oversight functions. Accordingly, AISIN will duly work to reorganize its production structures, particularly in North America.

Moreover, the move toward standardizing parts and centralizing procurement is intensifying as automobile manufacturers continue to restructure and organize their operations globally. Such trends will likely become more prevalent, making it necessary to establish a global interface with automobile manufacturers during various production phases, including design and development processes, and development of production networks and IT systems.



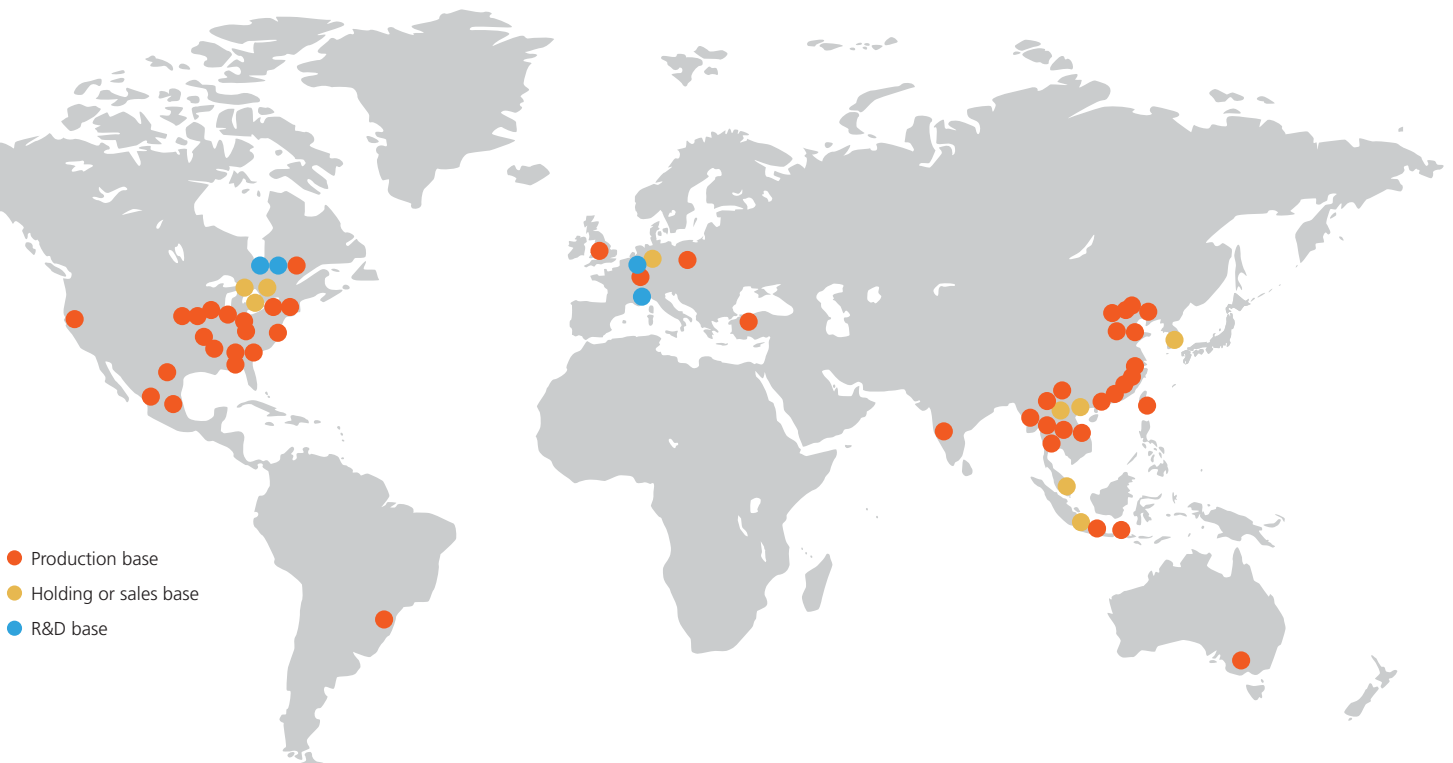
Ratio of Overseas Net Sales to Total Net Sales (%)
Fiscal 2005



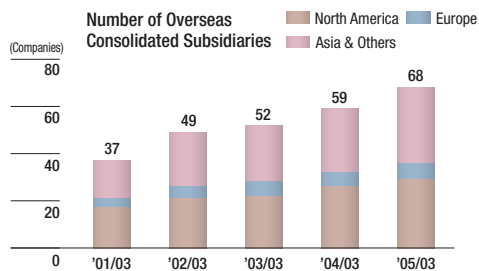


Global Network

(As of March 31, 2005)



- Production base
- Holding or sales base
- R&D base



Newly Added Overseas Subsidiaries for Fiscal 2005

- Aisin Automotive Casting Tennessee, Inc. (U.S.A.)
- Aisin Electronics Illinois, LLC (U.S.A.)
- Aisin Manufacturing Aguascalientes, S.A. De C.V. (Mexico)
- Aisin Otomotiv Parcalari Sanayi Ve Ticaret A.S. (Turkey)
- Aisin Seiki Foshan Automotive Parts Co., Ltd. (China)
- Fengai (Guangzhou) Automotive Seat Parts Co., Ltd. (China)
- Tianjin AW Automatic Transmission Co., Ltd. (China)
- ADVICS Tianjin Automobile Parts Co., Ltd. (China)
- ADVICS Guangzhou Automobile Parts Co., Ltd. (China)

North America

In the fiscal year under review, net sales in North America jumped 42.1% to ¥273,667 million (US\$2,549 million). This was chiefly the result of the launch of localized production of ATs and increased sales of such body components as power seats and sunroofs.

Developing a Supply Structure to Meet Expanding Demand among Automobile Manufacturers

Fueled by a strong U.S. economic base, the automobile market was able to maintain self-sustaining growth. AISIN regards North America as our second core market. Therefore, in order to expand business transactions with major U.S. and Japanese automobile manufacturers, AISIN is working to further reinforce its local production and supply structures and develop an operational structure that spans North America from Canada to Mexico.

In fiscal 2005, AISIN expanded the number of and augmented production bases in such mainstay fields as drivetrain related, engine related and body related products. In the drivetrain related products segment, AISIN expanded plant facilities of AW North Carolina, Inc., which manufactures torque converters and other AT components, and launched initial production of 5-speed ATs for the Toyota *Tundra* in May 2004. In the engine related products segment, AISIN pursued strengthening and reorganization of the production structure by shifting

production of such functional aluminum engine components as pistons and water pumps from Aisin Automotive Casting, LLC to Aisin Automotive Casting Tennessee, Inc. To meet expanding orders for the automobile system products segment, AISIN established Aisin Electronics Illinois, LLC in June 2004 as the second production base for electronic parts in the United States. In the body related parts segment, Aisin Manufacturing Aguascalientes, S.A. De C.V. was established in Mexico in July 2004 to manufacture door frames.

As a result of the above activities, the number of production bases in North America rose to 20 as of March 31, 2005. As local production continues to increase among business customers, AISIN is intent on further boosting production capacity while concurrently developing local complimentary production structures and efficient logistics networks.



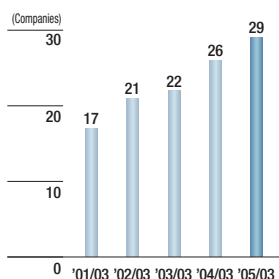
AW North Carolina, Inc.

RWD 5-speed AT

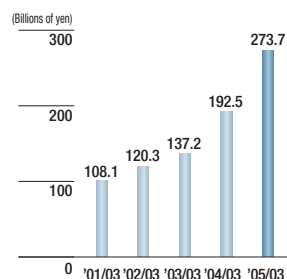


Aisin Automotive Casting Tennessee, Inc.

Number of Consolidated Subsidiaries



Net Sales



Europe*

In the fiscal year under review, net sales in Europe rose 52.4% to ¥166,024 million (US\$1,546 million) as a result of brisk sales in ATs to European automobile manufacturers.

*Includes Turkey

Bolstering Production Bases and Expanding Operational Bases

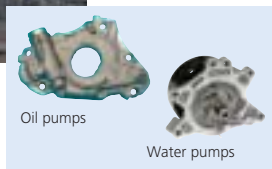
As Europe enjoys a burgeoning economy from the subsequent rise in EU membership, the automobile market is expected to enter a growth phase. AISIN has been raising its brand recognition in this market by expanding its transactions with leading local automobile manufacturers, chiefly in the area of ATs exported from Japan. Building on these advances, AISIN is developing a distribution structure in Europe with the intent of bolstering local production and providing a wider array of products.

In fiscal 2005, AISIN expanded the plant of Aisin Europe Manufacturing Czech s.r.o, which manufactures engine related components, and set up aluminum die casting facilities to create a unified production structure that handles everything from casting to processing and assembly. To address expanding production among customers, Aisin Otomotiv Parcalari Sanayi Ve Ticaret A.S. was established in Turkey in July 2004, with production of such body components as door frames and door locks beginning in April 2005.

The number of production bases in Europe totaled four during the term, with product lines being limited to a portion of engine, body and information related products. In combination with sales expansion activities, AISIN will work to expand its product line and refine its real-time productive capacity.



Aisin Europe Manufacturing Czech s.r.o.



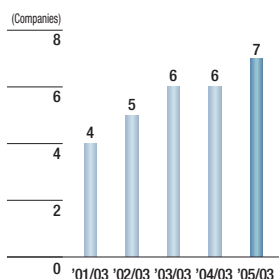
Oil pumps

Water pumps

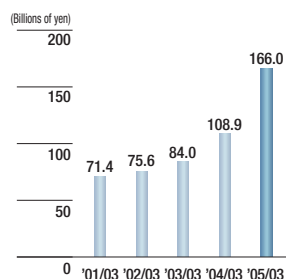


Aisin Otomotiv Parcalari Sanayi Ve Ticaret A.S.

Number of Consolidated Subsidiaries



Net Sales



Asia & Others

In the fiscal year under review, net sales in Asia & Others climbed 25.5% to ¥119,877 million (US\$1,116 million). This brisk performance was the result of both increased production at new production bases in China, as well as increased sales in Indonesia and Thailand.

Expanding the Group Production and Supply Structure and Reinforcing the Operational Base

Public sentiment denotes the most promising market in the 21st century to be Asia, which continues to witness a rapid rise in the number of motorists in such areas as China, India and various ASEAN countries. In order to steadily meet this rapid rise in demand and expand its businesses, AISIN is aggressively undertaking sales expansion by relying on its strengths within a wide range of business domains and by developing its production bases in these regions.

In the fiscal year under review, AISIN established and expanded production bases in China and ASEAN countries during the term. In preparation for Toyota's production launch of its "Innovative International Multi-purpose Vehicle" (IMV) in ASEAN countries, AISIN raised productive capacity by expanding the plants at Aisin AI, which produces MTs, and at Siam Aisin Co., Ltd., which is responsible for the production of engine related and body related components.

In order to respond to expanding markets in China, AISIN worked to establish production structures in northern and southern China. In northern China, AISIN completed a production line at ADVICS Tianjin Body Parts Co., Ltd., which produces brake components, and launched production in February 2005. Tianjin AW Automatic Transmission Co., Ltd., which was established in February 2004, launched the production of RWD 6-speed ATs for Toyota. In southern China, where customers are initiating added production, AISIN established three production bases in succession. Aisin Seiki Foshan Automotive Parts Co.,

Ltd. (established in April 2004) is scheduled to produce such engine aluminum die casting components as crankcases. Fengai (Guangzhou) Automotive Seat Parts Co., Ltd. (established in September 2004), which is a joint venture with Toyota Boshoku Corporation, is scheduled to produce car sheet components. Moreover, ADVICS Guangzhou Automobile Parts Co., Ltd. (established in November 2004) is scheduled to produce brake components.

The total number of production bases in Asia and other regions as of March 31, 2005 was 26, with 12 in China, 10 in ASEAN countries and four in other countries. The rapidly growing markets of China and some ASEAN countries, in particular, are targeted for expansion in which the Group plans to concentrate the bulk of its resources. AISIN is bolstering mutual cooperation and competition among different Group production bases toward strengthening the operational base in this region.

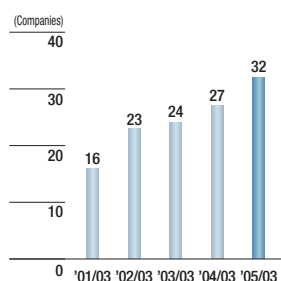


Aisin AI (Thailand) Co., Ltd.

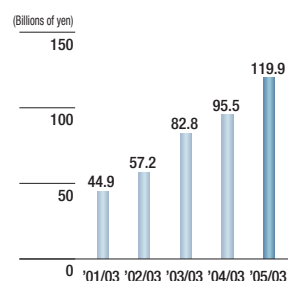
RWD 5-speed MT



Number of Consolidated Subsidiaries



Net Sales



Aisin Seiki Foshan Automotive Parts Co., Ltd.