

# Management Strategy

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# Developing into a Truly Global Company



Chairman **Kanshiro Toyoda**

President **Yasuhito Yamauchi**

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

—Fiscal 2005 Overview and Fiscal 2006  
Projections—

Amid intensifying competition, we channeled our full resources into developing new products that anticipate social 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 that reached record highs. Consolidated net sales, in particular, rose for the sixth consecutive term since fiscal 2000.

Consolidated net sales increased 13.9% to ¥1,829,065 million (US\$17,032 million) as a result of increased unit production among key customers, as well as from aggressive marketing activities that bolstered sales in automatic transmissions (ATs), manual transmissions (MTs), car navigation systems and power sliding door systems. Sales expanded dramatically in mainstay products, especially from the



combined effect of greater sales chiefly in the European market for such FWD 6-speed ATs as TF-80SC and TF-60SN models produced by Aisin AW Co., Ltd. (Aisin AW) for such companies as Volvo Car Corporation (Volvo), PSA Peugeot Citroën S.A. (Peugeot) and Bayerische Motoren Werke AG (BMW).

In terms of income, we witnessed a rise in the price of raw materials and an increase in depreciation and amortization expenses and expenses associated with product launches. Nevertheless, consolidated operating income rose 9.6% to ¥95,111 million (US\$886 million) and consolidated ordinary income increased 16.3% to ¥98,458 million (US\$917 million), owing to an increase in net sales in combination with efforts to streamline and raise efficiency in all levels of operations through reduced costs and other means. Moreover, net income jumped 34.6% to ¥46,719 million (US\$435 million).

In the fiscal term under review, capital investment was ¥165,289 million (US\$1,539 million) as a result of the effects of investing in new and improved products compatible with newer vehicle models, augmenting domestic and overseas capability enhancement, streamlining production equipment and investing in R&D for new technologies and products.

In fiscal 2006, consolidated net sales are expected to rise 9.3% to ¥2,000,000 million, consolidated operating income will likely increase 5.1% to ¥100,000 million and consolidated ordinary income is anticipated to edge up 1.6% to ¥100,000 million. Capital investment is projected to total ¥250,000 million, with roughly ¥100,000 million of that amount to be allocated toward augmenting capability enhancement of drivetrain related products mainly for ATs and approximately ¥30,000 million for brake related products, as well as for such uses as adapting to increased production among customers and expanding overseas bases.

Continuing from the previous fiscal year, the short-term operating environment grew more uncertain as steel supplies faltered, crude oil prices skyrocketed and price competition intensified. Nonetheless, AISIN is determined to become a leading global supplier by consolidating comprehensive Group strengths.

**Undertaking New Technology and Product Development Through Aggressive Investment in R&D**

—Bolstering Technological Development Capabilities—

In recent years, end-user needs have increasingly diversified while demands for greater functionality and performance have intensified. Operating in this climate, AISIN must continue to invest in the development of advanced technologies in order to maintain supremacy in terms of 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 never before 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.

Successes in R&D activities include the launch in fiscal 2005 of new products offering driving convenience and enjoyment, such as the A46 series of 6-speed ATs for light duty trucks and buses and the Rear engine, Rear drive (RR) 6-speed MT (SP6), which offers sporty handling due to improved comfort and responsive shifting. Moreover, we were active in releasing new systems with greater comfort and ease-of-use, for example, functional parts for a wider passenger-side sliding door system for easier entry and exit even on compact models, as well as a panoramic glass roof that offers a more open cabin. In addition, as an environmental ultra-fuel-efficient drive system, we developed the proprietary HD-10 hybrid drive "dual system," which simultaneously controls both the motor for power generation and for the drivetrain. This system is currently supplied to Ford Motor Company (Ford) for use in its *Escape Hybrid*.

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.

### Establishing Nine New Production Companies to Augment Our Global Production Structure

—Globalization—

Our dream to develop into a global supplier will come to nothing unless we build production bases to cover the global grid of markets, as well as contribute to the local communities in which we operate through corporate activities, and grow alongside them. Our globalization efforts continued unabated through our readiness to "cover every market in which automobile manufacturers operate," as we aimed to expand operations in the global market by augmenting production bases in countries around the world and accelerating the refinement of a global marketing and development structure.

As a result of these efforts, the ratio of overseas net sales to total net sales in fiscal 2005 rose 5.9 percentage



points to 30.6%. At overseas production companies, while working to augment productive capacity particularly in North America, ASEAN countries and China, AISIN established nine new production companies, with three in North America, one in Europe and five in China. In Europe, where AISIN has lagged behind in developing local production bases, we strengthened the operational base by augmenting the production structure through expansion of the engine components manufacturer Aisin Europe Manufacturing Czech s.r.o., as well as by launching production of body components in July 2004 at Aisin Otomotiv Parcalari Sanayi Ve Ticaret A.S., which was established in Turkey in July 2004.

In the current fiscal term, we will construct a global network that can meet demand from automobile manufacturers around the world by establishing bases that can service wide areas, while also entering into strategic alliances. Moreover, we will promote the training and promotion of personnel at global bases in order to expand our worldwide personnel base to support *mono-zukuri* (“manufacturing expertise in value-added products”).

### Seeking to Realize a Society in which Humankind and Planet Earth Can Live in Harmony

—Pursuing Environmental Management—



AISIN holds the alleviation of such environment problems as global warming, air pollution and industrial pollution as a top management priority. Accordingly, we will rally our resources toward addressing these problems to a greater degree than other companies.

In concrete terms, we will contribute to alleviating global environmental problems initially through our own products. While more conventional methods of achieving this lie in improving fuel efficiency, reducing vehicle weight and reducing the use of environmentally harmful substances used in AISIN products, an alternative example includes the development of residential fuel cells. We believe that a critical issue facing AISIN is to aggressively develop and introduce products that are environmentally friendly.

To reduce environmental load during production, we are making Groupwide efforts to eliminate the use of hazardous chemicals, pursuing activities to resolve energy problems by reducing CO<sub>2</sub> emissions and pursuing the total elimination of waste, including incinerated waste. In addition, it is critical that we systematize our production technologies and expertise in these areas and disseminate them to the world.

In the current fiscal term, we want AISIN and its employees to embrace an environmental mindset in determining how we can

contribute now to society with the ultimate goal of becoming a company respected worldwide for its environmental policies.

**Endeavoring to Grow in  
Harmony with Society and  
Expand Businesses as a Trusted  
Member of Society**

—Corporate Social Responsibility—

To further promote its Corporate Principles in the form of “enhanced value creation,” “continuous global growth,” “harmony with society and nature” and “individual creativity and initiative,” AISIN has demonstrated its commitment by creating the AISIN Charter of Corporate Behavior as a concrete policy and by proactively working to fulfill its social responsibilities.

In general corporate activities, AISIN is strengthening its compliance by establishing the Business Ethics Committee to ensure that all employees adhere to ethical and social standards, while undertaking a host of other measures that include setting up the and formulating our Business Ethics Guidelines, which signify standards aimed at ensuring that employees adhere to laws and social rules and manners, as well as upgrading our education and training on legal affairs and establishing in-house and external consultation counters.

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), as a means of inspiring each employee to fulfill his or her social responsibility as a respected corporate citizen.

In the future, we will redouble our sincere efforts to invite comments and feedback from various stakeholders, engaging them in dialogue, and working to achieve harmony with society as a respected corporate citizen.



# Striving for Maximum Corporate Value and Highly Transparent Management

AISIN aims to ensure long-term sustainable growth and expansion by developing a sound relationship with all of its stakeholders toward maximization of corporate value. To that end, the Group is augmenting corporate governance as a corporate citizen trusted by the international community, conscious of its importance to maintaining a high degree of fairness and transparency.

### New Corporate Governance Structure

Via a resolution in June 2005 at the General Meeting of Shareholders, AISIN introduced a new corporate governance system that features a streamlined Board of Directors and newly appointed Managing Officers. Amid increasing globalization of business and subsequent intensified competition, this new system is geared toward dealing with ever-growing pressures to strengthen domestic and overseas Group management and accelerate both decision-making and operational execution.

#### Overview of New Structure

##### 1. Appointment of Managing Officers

Aisin Seiki has appointed Managing Officers (non-board members) responsible for managing operations of each function. Also, the Company has assigned Managing Officers at leading overseas subsidiaries to strengthen Group operations and global management.

##### 2. Streamlined and Horizontally Oriented Board of Directors

Aisin Seiki has accelerated decision-making by reducing the size of its Board of Directors. Senior Managing Directors are responsible for managing operations, and as such, are involved in all areas of management as well as operational decision-making. Those above the level of Vice President are chiefly responsible for formulating management strategy and supervising the execution of business operations.

In order to monitor business activities, Aisin Seiki has adopted a Board of Auditors structure. We have chosen to strengthen corporate governance by further enhancing the existing structure, which is based on the monitoring of management by a Board of Auditors independent from the Board of Directors. To that end, at the General Meeting of Shareholders in June 2004, Aisin Seiki raised the number of auditors by one for a total of five corporate auditors (one internal auditor and four external auditors), who are responsible for auditing the activities of the Directors, the operations of domestic and overseas subsidiaries as well as overall financial standing.

The main duties of corporate auditors are to attend such principal conferences as the Board of Directors meetings, as well as engage in dialogue with the Board of Directors, representatives of each department and domestic and overseas subsidiaries, and to supervise and monitor the Board of Directors and the management of operations by Managing Officers through internal audits. Corporate auditors also ascertain the state of business, finances and compliance. Aisin Seiki has augmented

audit functions with the establishment of a specialist internal auditing department, and undertakes continual auditing throughout its entire operations that monitors operational management, appropriateness of business procedures and legal compliance.

Besides those duties mandated by law, the Board of Directors, which generally convenes once a month, makes decisions on such important management matters as the formulation of management policies and business plans, planning for capital investment in addition to the establishment of and investment in subsidiaries, and is the designated organ for supervising the management of operations by the individual members of the Board. The Board of Directors has also set up committees for deliberation, including the Executive Committee and Operations Committee, which function as subordinate organizations, as it strives to enhance deliberation on individual matters and monitors, guides and assists management in accordance with decisions.

### Timely and Appropriate Information Disclosure

AISIN proactively discloses information to all shareholders to ensure that corporate information is disclosed in a timely and fair manner and to promote a deeper understanding of the Group. In disclosing information, persons responsible for information management immediately convene an Assessment Conference after information is obtained to ensure the comprehensiveness and appropriateness of critical information, and subsequently make a determination as to its importance and the level of need for prompt disclosure. Cognizant of the relevant laws and codes against insider trading and other crimes, AISIN also discloses information in accordance with the Timely Disclosure Rule stipulated by the Tokyo Stock Exchange.

We also work to meet our obligation to stakeholders regarding full disclosure through a useful array of quantitative and qualitative information using a diversity of methods. These methods include holding investor relations (IR) meetings both in Japan and overseas, creating such IR tools as annual reports and business reports, dispensing environment and social responsibility reports and providing up-to-date corporate information on our website.

### Respect for the Rights of Shareholders

AISIN respects and undertakes efforts to preserve the rights of shareholders, who provide the Group with its capital. To enable

a large number of its shareholders to attend the General Meeting of Shareholders, AISIN aims for an early convening of this meeting. In addition, AISIN makes efforts to provide an easy-to-understand Business Report and to respond to questions from shareholders. Based on its policy of maintaining stable dividends, AISIN returns profits to shareholders taking into consideration a comprehensive range of factors that include the Group's business results and its payout ratio. In fiscal 2005, AISIN raised cash dividends by ¥6.00 per share over the previous fiscal year to ¥24.00, and total dividends paid for the year amounted to ¥7,040 million (US\$66 million).

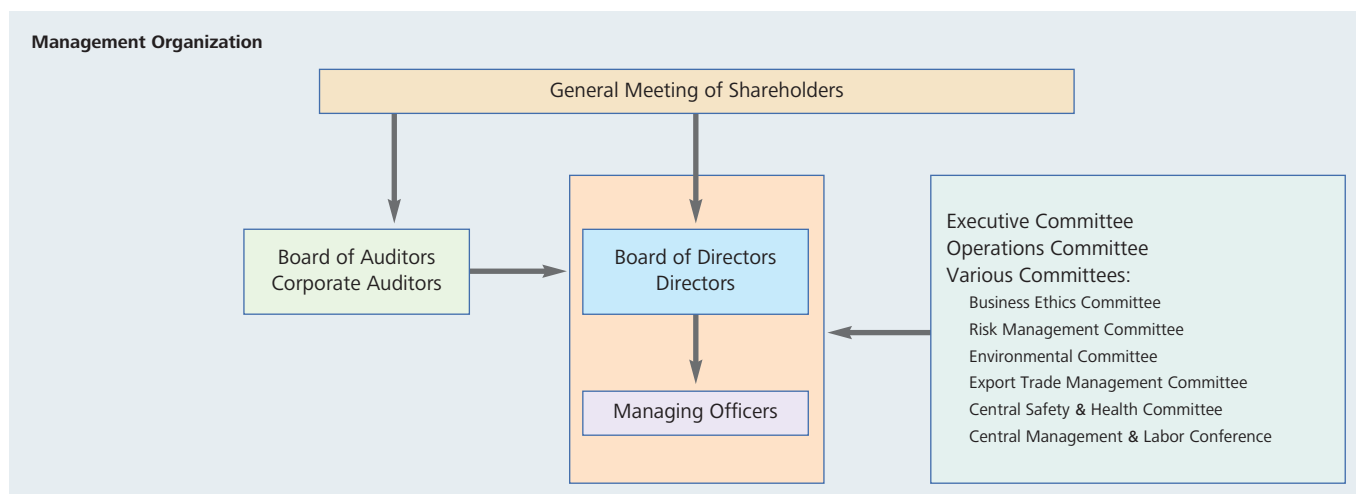
To raise ROE, enhance shareholders' value and execute flexible capital policies for responding to changes in the business environment, a resolution was passed at the General Meeting of Shareholders in June 2004 to revise the Articles of Incorporation to enable the Group to acquire treasury stock. In working vigorously to ensure that management's interests are consistent with those of the Company and to undertake activities aimed at maximizing corporate value, AISIN has adopted a system for providing stock options with subscription rights to Directors and Managing Officers of Aisin Seiki and its affiliated companies.

### Establishing Compliance and Risk Management Structures

AISIN established the AISIN Charter of Corporate Behavior, which outlines the Group's fundamental management stance for fulfilling its social responsibilities as a member of society. Alongside the formulation of this charter, and with the goal of ensuring proper conduct in all corporate activities as a member

of society, AISIN is strengthening its compliance while undertaking a host of other measures that include setting up the Business Ethics Committee and formulating our Business Ethics Guidelines, which is aimed at ensuring that employees adhere to laws and social rules and manners, as well as upgrading our education and training in legal affairs and establishing in-house and external consultation counters. To comply with the Personal Information Protection Act enacted in April 2005, AISIN created the Personal Information Protection Policy outlining the protection of the personal information of customers, business partners and employees acquired over the course of daily business operations. This policy is aiding in building a set of rules and structure for employees to comply with laws and other regulations regarding personal information and handle such data with little need for supervision.

Amid progress made in global business expansion and subsequent diversification of management risks, AISIN is building a risk management structure that covers the activities of AISIN and related parties both internally and externally. As part of our risk management structure, we established the Risk Management Committee for responding to various internal and external risks and preventing reoccurrence of such risks. We also formulated Risk Management Guidelines that contain preventive response categories, such as the prevention of anticipated risks and minimization of damage, and post-response categories for ensuring appropriate and quick action in the event of unforeseen circumstances.



## R&D Structure to Create New Customer Value

AISIN aggressively promotes R&D fully conscious of the fact that utilizing technological development to create appealing products with new value contributes to both the betterment of society and expansion of business.

### Introducing Truly Original New Products

As the needs of end-users continue to diversify, including requirements in line with global environmental preservation, safety and realization of a comfortable and enjoyable driving experience, the sophistication of those needs also continues to escalate beyond previous levels. To fully provide for such needs and gain the trust of users, above all else, AISIN must perpetually undertake cutting-edge technological development and persevere with the endless pursuit of securing users' trust. With these challenges in mind, AISIN has given ultimate priority to, and is diligently promoting, the development of unique technologies and the creation of wholly appealing original new products.

In fiscal 2005, AISIN launched new drivetrain related products, including the World's first 6-speed AT (A46 series) for light-duty (2-4t) commercial vehicles and the RR 6-speed MT (SP6) that offers sporty handling through comfortable and responsive shifting. At the same time, we concurrently improved our lineup of 6-speed ATs for passenger vehicles offering superb environmental and handling performance. In doing so, AISIN garnered considerable respect from Japanese and overseas customers. Moreover, we were also aggressive in launching a host of products that offer a comfortable and enjoyable driving

experience, including functional parts for a wider passenger-side sliding door system that enables easier entry and exit even on compact models, as well as a panoramic glass roof that offers a more open cabin.

In fields outside the Automotive Parts and Systems Business, AISIN forged ahead in collaboration with Toyota Motor Corporation (Toyota) with the development of its residential fuel cell cogeneration system, which is anticipated to become a highly efficient and clean energy system.

While working to create appealing new products, AISIN is making optimal use of its accumulated expertise and technologies in a broad range of product fields to establish an unrivalled technological domain and improve its competitiveness in related markets.

### Group Companies Display Magnificent Expertise in their Specialties

Each Group company within the AISIN development structure manages its own development resources and conducts highly specialized technological development in its field of strength. While concentrating resources for added efficiency is important, it is also essential for Group companies to engage in friendly



"Ultra-short pulse laser" technology advances applications in optical engineering



Designing power sliding doors using 3-D models



Anechoic chamber which evaluates the influence of electromagnetic waves, ranging from low to high frequency zones, on electronic devices



competition amongst themselves in fields where creative development is more crucial. As such, AISIN employs a unique development structure that emphasizes both competition and cooperation.

Aisin Seiki is displaying initiative in every field of development through participation in each product segment, focusing on body related and engine related products. Aisin AW plays a key role in the technological development of drivetrain and information related products, Aisin AI Co., Ltd. (Aisin AI) of drivetrain related products and ADVICS Co., Ltd. (ADVICS) of brake and chassis related products. In addition, Aisin Takaoka Co., Ltd. (Aisin Takaoka), Aisin Chemical Co., Ltd. (Aisin Chemical) and other Group companies conduct elemental technology development in such areas as iron casting, metal forming and plastic molding, while concurrently developing functional products using proprietary methods.

#### **Broad-based Cutting-edge Technological Development**

The worldwide family of the AISIN Group includes four advanced research and development companies through which we are pursuing cutting-edge technologies in the automotive field and other areas. In particular, IMRA America, Inc. (IMRA

America) and IMRA Europe S.A.S. are collaborating with local universities and research institutes on state-of-the-art technology in optronics, and telecommunications and energy, respectively. IMRA America has developed femtosecond fiber laser\* technology and commercial products that have gained a strong reputation in the laser industry. Applications include optical telecommunications, micromachining, instrumentation, physical and chemical science research, and healthcare.

\* The laser emits optical pulses with a pulse duration on the order of a femtosecond (1 fs =  $10^{-15}$  s).

#### **World-class Proving Facilities for Heightened Product Reliability**

AISIN has the world's most illustrious proving facilities, which are capable of evaluating not only components, but component-mounted vehicles as well. In addition, in North America and Europe, AISIN conducts field-testing to assess product performance and durability under varying conditions. Such facilities are an irreplaceable element for ensuring and enhancing the reliability of AISIN products, and AISIN aims to further augment these facilities and their structures in the future.



Performance test for automatic transmission for commercial vehicles

Performance testing on residential fuel cells



## 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.

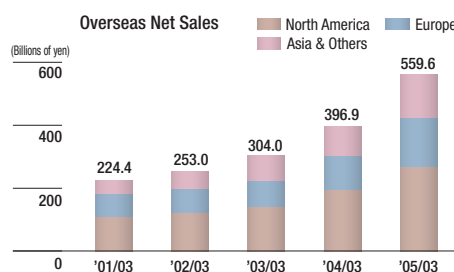
However, operational bases are unequally distributed in such regions as North America, China and ASEAN countries, which indicates that the Group's global structure is unable to fully meet the needs of customers across the globe. AISIN seeks to be trusted as a global partner by customers around the world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

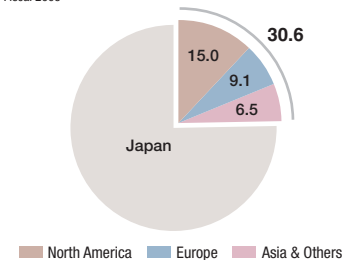
### Strengthening the Global Management Structure

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.



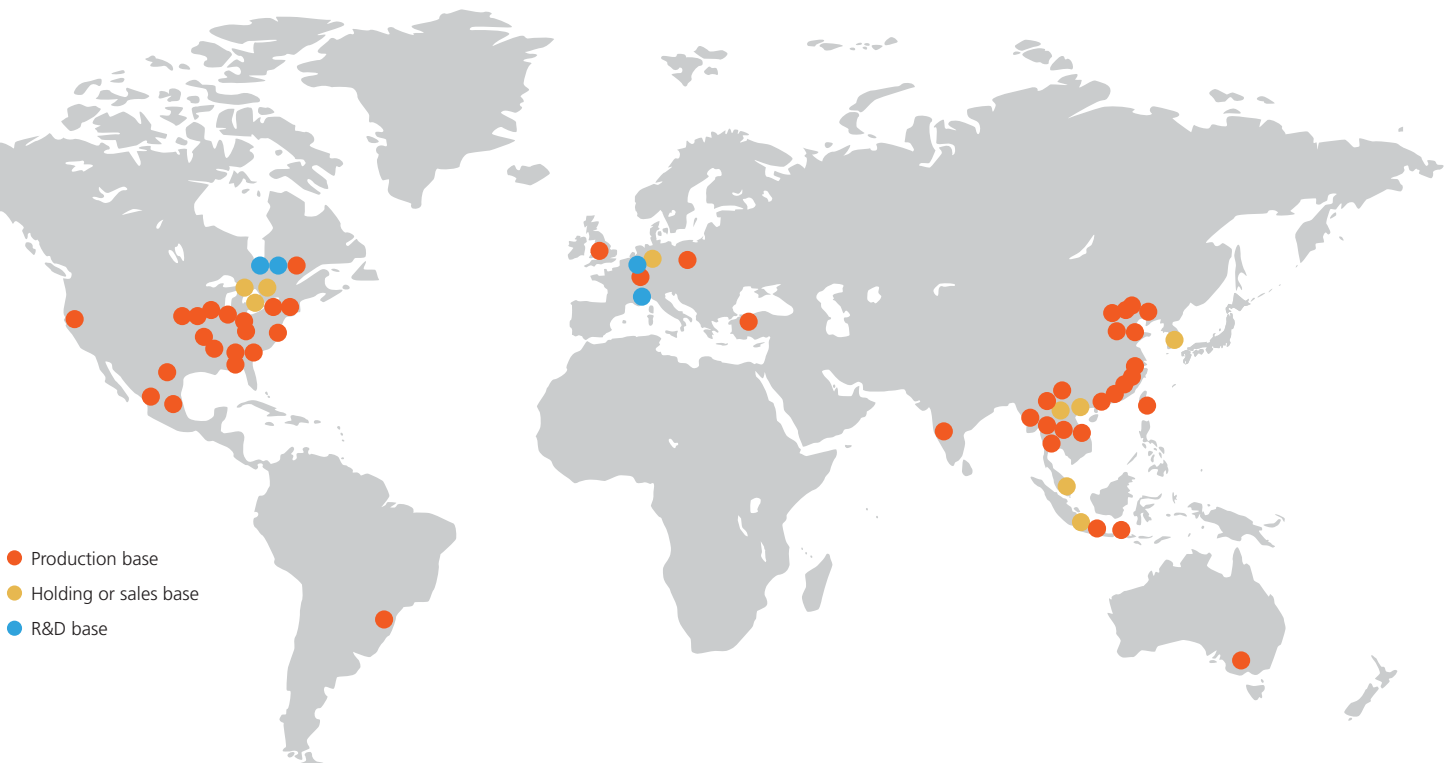
Ratio of Overseas Net Sales to Total Net Sales (%) Fiscal 2005



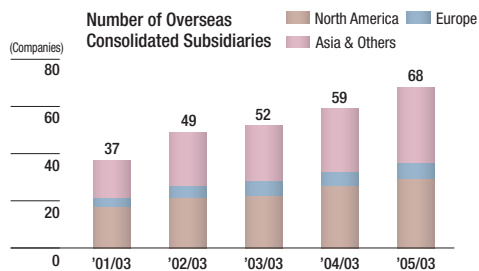


## Global Network

(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.



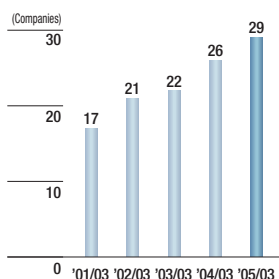
AW North Carolina, Inc.

RWD 5-speed AT

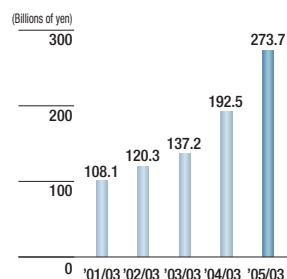


Aisin Automotive Casting Tennessee, Inc.

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

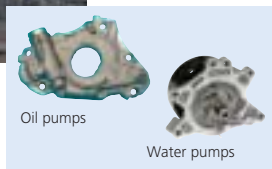
As Europe enjoys a burgeoning economy from the subsequent rise in EU membership, the automobile market is expected to enter a growth phase. AISIN has been raising its brand recognition in this market by expanding its transactions with leading local automobile manufacturers, chiefly in the area of ATs 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.



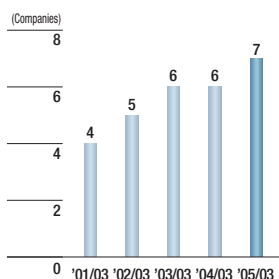
Oil pumps

Water pumps

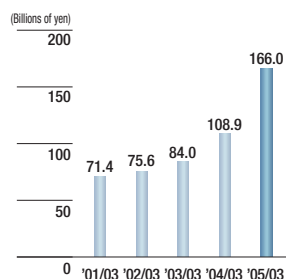


Aisin Otomotiv Parcalari Sanayi Ve Ticaret A.S.

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.

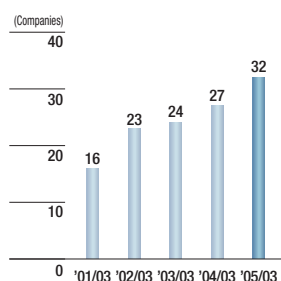


Aisin AI (Thailand) Co., Ltd.

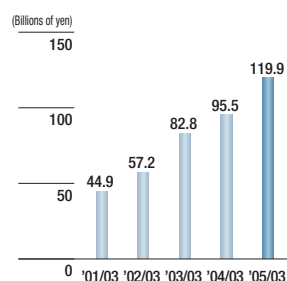
RWD 5-speed MT



Number of Consolidated Subsidiaries



Net Sales



Aisin Seiki Foshan Automotive Parts Co., Ltd.