

Developing into a Truly Global Company



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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 CO₂ 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.

