

Building a Global Supply Structure to Expand Business around the World

Automobile markets around the world are expected to continue expanding. AISIN is building a supply structure centered around the key automobile manufacturing bases of the world in an effort to further expand its global network.

Pursuing a Strategy to "Cover Every Market in Which Automobiles Operate"

In the fiscal year under review, net sales totaled ¥1,406,585 million (US\$11,974 million; 66.3% of total net sales) in Japan, ¥377,540 million (US\$3,214 million; 17.8% of total net sales) in North America, ¥173,878 million (US\$1,480 million; 8.2% of total net sales) in Europe and ¥162,585 million (US\$1,384 million; 7.7% of total net sales) in Asia & Others. As a result, the ratio of overseas net sales to total net sales rose 3.1 percentage points to 33.7%. Business overseas in the automobile industry as a whole is anticipated to expand even further as Japanese automobile manufacturers increasingly promote localized production overseas and as emerging markets undergo motorization.

To anticipate such trends and needs, AISIN worked aggressively to construct a production and supply structure overseas. In fiscal 2006, efforts to increase subsidiaries were particularly strong in North America, China and ASEAN countries, with consolidated subsidiaries numbering 70 in Japan and 76 overseas, including 30 in North America, eight in Europe and 38 in Asia & Other regions. Currently, overseas subsidiaries represent more than half of the total.

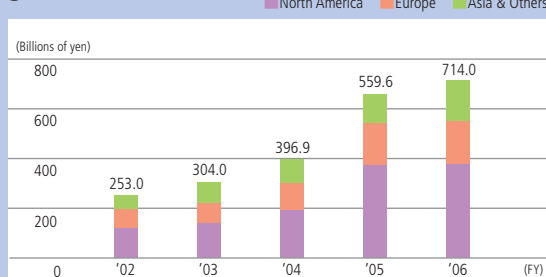
As a global supplier, AISIN seeks to appropriately address the needs of customers around the world by ensuring that it operates in every region where automobile manufacturers operate through continued expansion of its bases.

Strengthening Global Management

As its global business continues to expand rapidly around the world, AISIN has built a large portion of bases overseas in the last few years. As a consequence, the necessary resources in such forms as facilities and personnel are increasing, which in turn has intensified the need for the establishment of more efficient global management. AISIN is promoting a more efficient production structure through the construction of a network that mutually complements production among local bases and makes optimal use of production capacity of each base.

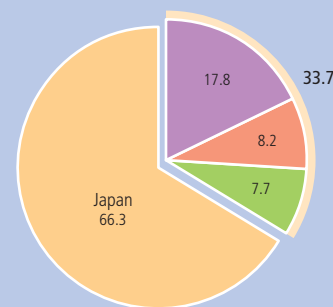
Moreover, the move toward standardizing parts and centralizing procurement is intensifying as automobile manufacturers continue to restructure and organize their operations globally. AISIN believes such trends will likely become more prevalent, making it necessary to establish a structure that precisely responds to the needs of automobile manufacturers in such various production phases as design and development processes, and development of production networks and IT systems. For the time being, AISIN's approach is to concentrate resources toward developing structures in the prominent markets of North America and China.

Overseas Net Sales



Overseas Net Sales to Total Net Sales (%)

FY2006



Newly Added Subsidiaries for Fiscal 2006

Aisin Hokkaido Co., Ltd. (Japan)

Aisin Infotex Co., Ltd. (Japan)

AS Industries Co., Ltd. (Japan)

FT Techno of America, LLC. (U.S.A.)

FT Techno Europe GmbH (Germany)

ADVICS Taiwan Automotive Parts Co., Ltd. (Taiwan)

Aisin Seiki Foshan Body Parts Co., Ltd. (China)

Tangshan Aisin Automotive Parts Co., Ltd. (China)

Takaoka Lioho (Guangzhou) Machinery Industries Co., Ltd. (China)

Hosei Brake Industry Fuzhou Co., Ltd. (China)

Tianjin Feng Ai Automotive Seat Parts Co., Ltd. (China)

Japan

Augmenting the Production and Development Structure

Japan will be a pivotal base in a global network. Given that the automobile industry is a core industry of Japan, each automobile manufacturer continues to produce cars at high levels. While AISIN has already embarked on a policy of promoting localized production, management decides where to manufacture by considering a range of elements that include the production environment, costs and investment efficiency, with Japan being one possible destination.

In fiscal 2006, AISIN worked to develop the production and development structure in Japan while expanding abroad. The Okazaki East Plant of Aisin AW (Okazaki City, Aichi) started manufacturing ATs in January 2006, and Aisin Hokkaido Co., Ltd. was established in February in Tomakomai, Hokkaido, to manufacture such aluminum die casting products as oil pumps.

In order to respond to expanding demand and bolster production capacity, Aisin Seiki's Nishio Body Components Plant, which manufactures such automotive parts as door handles and sunroofs, was relocated from Nishio City to Hekinan City, and reopened in May 2006 as the Kinuura Plant.



Aisin AW's Okazaki East Plant



Aisin Seiki's Kinuura Plant

North America

Augmenting the Production and Development Structure to Respond to Rising Demand by Automobile Manufacturers

AISIN regards North America as its second core market, and one that represents the second largest share of total net sales after Japan. Amid ever more intense competition among the Big Three and Japanese automobile manufacturers, AISIN is working to develop an operational structure that spans North America from Canada to Mexico. In July 2005, Aisin Automotive Casting Tennessee, Inc. started manufacturing such functional aluminum components as engine front modules and pistons, whereas Aisin Electronics Illinois, LLC commenced operations in August 2005 to manufacture such electronic components as electronic control units (ECUs), which are the brains of systems products. In addition, AISIN established a proving ground in the U.S. state of Michigan, and aims to further augment development and sales structures in North America through operating its own proving ground and establishing a testing environment for vehicle performance evaluations.

While the number of production bases already has increased to 20, AISIN will continue to appropriately respond to customer needs by pursuing efficient expansion of business operations.



Aisin Electronics Illinois, LLC



Aisin Automotive Casting Tennessee, Inc.

Europe (including Turkey)

Expanding the Scope of Business in Step with Rising EU Membership

AISIN is in the process of establishing bases in various parts of Europe. With the number of former Eastern bloc countries joining the EU on the rise, continued growth of the European market is expected. In anticipation of emerging opportunities, AISIN is expanding business with leading local automobile manufacturers, mainly in ATs.

In April 2005, Aisin Otomotiv Parcalari Sanayi ve Ticaret A.S. started operations in Istanbul, Turkey, to manufacture such body related products as door frames, bringing the number of production bases in Europe to four. In the term ahead, AISIN will combine sales activities with an expansion in product lines and production capacity as needed.



Aisin Otomotiv Parcalari Sanayi ve Ticaret A.S. (Turkey)

Asia & Others

Actively Expanding into ASEAN Countries While Placing a Priority on China

AISIN is developing the production structure in China in expectation of rising demand in the nation's automobile market, which is forecast to sustain remarkable growth for the foreseeable future. While AISIN bases in China have thus far been concentrated in the northern part of the country, from fiscal 2006, expansion of operational bases began in southern China as well. Aisin Seiki Foshan Automotive Parts Co., Ltd., which was established in Foshan City, Guangdong, in 2004, launched operations for the production of such engine components as crank cases in August 2005, making it the second base in China to manufacture engine components. Aisin Seiki Foshan Body Parts Co., Ltd., which was also established in Foshan City, began production of auto body components in April 2006. In northern China, AISIN made ongoing efforts to develop the production structure by establishing Tangshan Aisin Automotive Parts Co., Ltd. to manufacture engine components in Tangshan, while Tianjin Feng Ai Automotive Seat Parts Co., Ltd., a joint venture with Toyota Boshoku Corporation, was established for the manufacture of automotive seat frames and functional seat components in Tianjin.

AISIN also augmented production and supply structures in the ASEAN countries of Thailand and Indonesia. In Thailand, Aisin AI (Thailand) Co., Ltd. expanded the product line of MTs in response to increased automobile production in the ASEAN region, whereas Aisin Takaoka Foundry Bangpakong Co., Ltd. increased production lines to raise production capacity for iron casting components.

As a result of these efforts, the total number of production bases in Asia and other regions increased to 31, with 17 in China, 10 in ASEAN countries and four in other countries. AISIN will continue to firmly establish the operational base in this region through stronger collaboration among Group companies.



Aisin Seiki Foshan Body Parts Co., Ltd. (China)



Aisin Takaoka Foundry Bangpakong Co., Ltd. (Thailand)