

Financial Section

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Management's Discussion and Analysis of Financial Conditions and Results of Operations

AISIN SEIKI CO., LTD. and Its Subsidiaries
Years ended March 31

Overview

Aisin Seiki and its subsidiaries (collectively, AISIN) comprises 153 subsidiaries and affiliates, including 100 production companies, 14 sales companies and 39 other companies, with operations entailing manufacturing and sales related to the core Automotive Parts and Systems Business and the Life Related and Other Business.

During the fiscal year, beginning April 1, 2006 and ending March 31, 2007, on a consolidated basis, net sales

rose 12.2% to ¥2,378,612 million (US\$20,149 million), operating income increased 11.0% to ¥131,034 million (US\$1,110 million) and ordinary income grew 7.3% to ¥134,287 million (US\$1,138 million), all of which marked record highs. Additionally, net income rose 9.5% to ¥66,890 million (US\$567 million).

Results of Operations

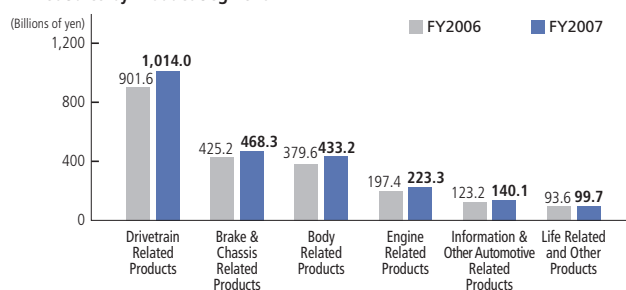
Sales

In the fiscal year under review, net sales were ¥2,378,612 million (US\$20,149 million). By business segment, sales in the Automotive Parts and Systems Business rose 12.4% from ¥2,027,005 million to ¥2,278,817 million (US\$19,304 million) over the previous fiscal year. Within the Life Related and Other Business, sales in the life related products segment declined 2.6% to ¥51,593 million (US\$437 million) as a result of a decrease in unit sales of GHPs and other factors, while sales of the other products segment, which includes civil engineering and petroleum sales, grew 18.7% to ¥48,202 million (US\$408 million) on account of an increase in orders.

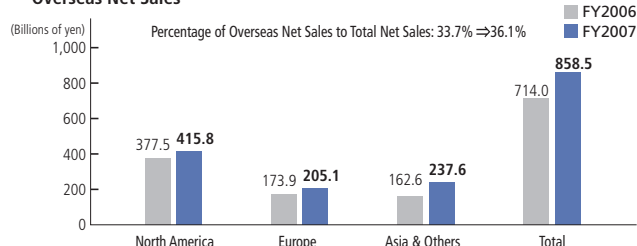
Within the Automotive Parts and Systems Business, sales of engine related products rose 13.1% to ¥223,275 million (US\$1,891 million) due to higher sales of timing chain covers and cylinder head covers. Sales of drivetrain related products, meanwhile, increased 12.5% to ¥1,014,017 million (US\$8,590 million) on the back of the strong performance of 6-speed ATs and MTs. Sales of brake and chassis related products rose 10.1% to ¥468,261 million (US\$3,967 million); sales of body related products improved 14.1% to ¥433,211 million (US\$3,670 million) in line with expanded sales of occupant weight sensors and power sliding door systems; and sales of information & other automotive related products increased 13.7% to ¥140,053 million (US\$1,186 million) following growth in sales of car navigation systems and other products.

AISIN has been consistently globalizing its business activities and increasing the number of overseas bases. Reflecting this, the ratio of overseas sales to total net sales rose from 33.7% to 36.1%.

Net Sales by Product Segment



Overseas Net Sales



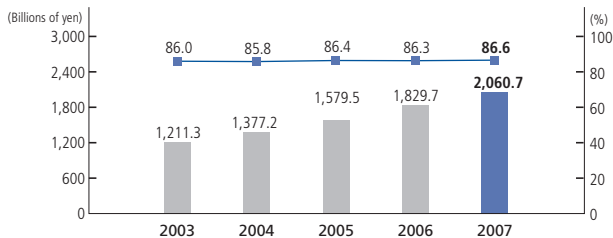
Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased 12.6% from ¥1,829,682 million to ¥2,060,668 million (US\$17,456 million). Despite our efforts to streamline and raise efficiency in all areas of operations through cost reductions and other measures, surging raw materials prices, rising depreciation and amortization expenses, as well as R&D and other expenses resulted in the ratio of cost of sales to net sales edging up from 86.3% to 86.6%.

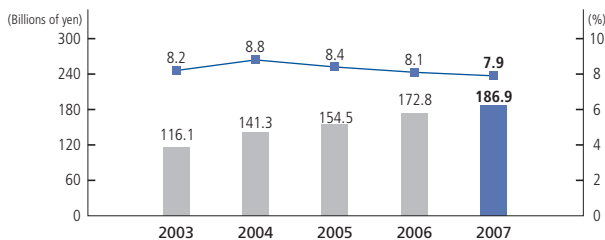
Selling, general and administrative (SG&A) expenses rose 8.2% from ¥172,810 million to ¥186,910 million

(US\$1,583 million) in accordance with increases in such proportional expenses as packaging and shipping as well as R&D expenses. The ratio of SG&A expenses to net sales decreased from 8.1% to 7.9%.

Cost of Sales (COS)/COS to Net Sales



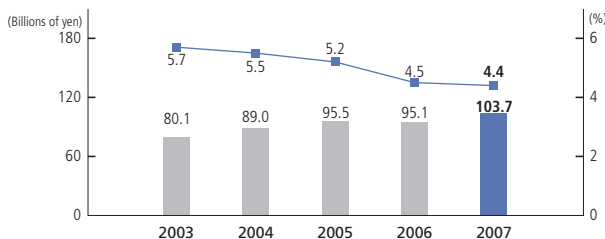
SG&A/SG&A to Net Sales



R&D Expenses

R&D expenses, which are included in SG&A expenses and manufacturing costs, respectively totaled ¥95,149 million and ¥103,750 million (US\$879 million) in fiscal 2006 and 2007. The ratio of R&D expenses to net sales for both fiscal years was 4.5% and 4.4%, respectively.

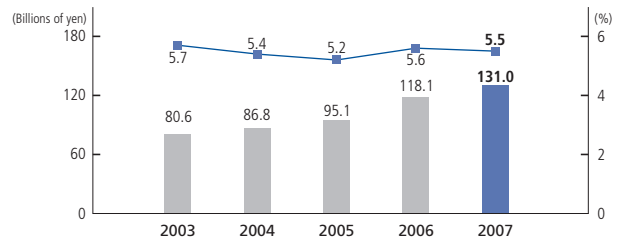
R&D Expenses/R&D Expenses to Net Sales



Operating Income

Operating income rose 11.0% to ¥131,034 million (US\$1,110 million), while the ratio of operating income to net sales stood at 5.5%.

Operating Income/ Operating Income to Net Sales



Non-operating Income and Expenses

The balance of non-operating income and expenses was a profit of ¥3,253 million (US\$28 million) in fiscal 2007, compared with a profit of ¥7,000 million in fiscal 2006. The chief factors behind this decline were a ¥2,045 million loss on sales of property, plant and equipment, a ¥1,990 million reduction in foreign exchange gains and an increase in dividend income of ¥1,277 million.

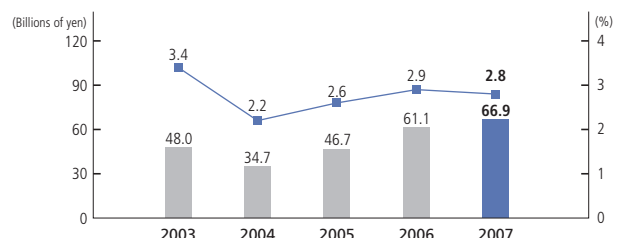
Minority Interests in Net Income of Subsidiaries

Minority interests in net income of subsidiaries fell 5.1% from ¥23,850 million to ¥22,622 million (US\$192 million), with the burden of corporate taxes incurred by acquisition of treasury stock held by subsidiaries outweighing an increase in profits at overseas subsidiaries.

Net Income

Net income rose 9.5% from ¥61,096 million to ¥66,890 million (US\$567 million), while the ratio of net income to net sales declined from 2.9% to 2.8%. Return on equity (ROE) decreased from 9.9% to 9.3%, while net income per share improved from ¥209.15 to ¥233.03 (US\$1.97).

Net Income/Net Income to Net Sales



Overview of Cash Flows

For fiscal 2007, cash flows provided by operating activities amounted to ¥228,402 million (US\$1,935 million), cash flows used in investing activities was ¥236,615 million (US\$2,004 million) and cash flows provided by financing activities totaled ¥13,361 million (US\$113 million). As a result, cash and cash equivalents as of March 31, 2007 stood at ¥136,307 million (US\$1,155 million), an increase of ¥8,094 million, or 6.3%, compared with ¥128,213 million as of March 31, 2006.

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥42,686 million, or 23.0%, from ¥185,716 million in fiscal 2006 to ¥228,402 million. The chief factors behind this rise were an increase of ¥9,190 million in income before income taxes and minority interests and an increase of ¥22,243 million in depreciation and amortization.

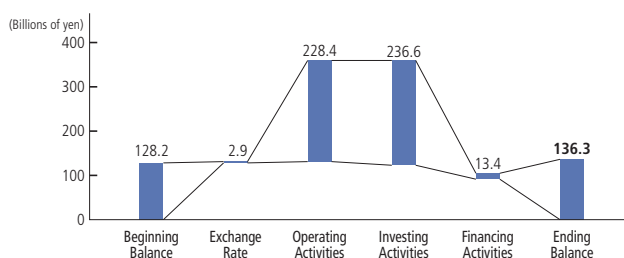
Cash Flows from Investing Activities

Net cash used in investing activities rose ¥21,119 million, or 9.8%, from ¥215,496 million in fiscal 2006 to ¥236,615 million. This was primarily due to an increase of ¥16,651 million in time deposit and short-term investments as well as an increase of ¥5,681 million from ¥218,753 million to ¥224,434 million in payments for purchase of property, plant and equipment.

Cash Flows from Financing Activities

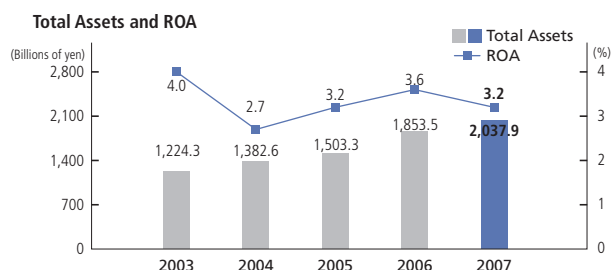
Net cash provided by financing activities fell ¥23,473 million, or 63.7%, from ¥36,834 million in fiscal 2006 to ¥13,361 million. The key factors were a decrease of ¥14,978 million in proceeds from long-term debt from ¥65,187 million in fiscal 2006 to ¥50,209 million and the absence of proceeds from issuance of bonds payable in fiscal 2007, which were posted in an amount of ¥10,000 million in fiscal 2006.

Cash Flows



Financial Position

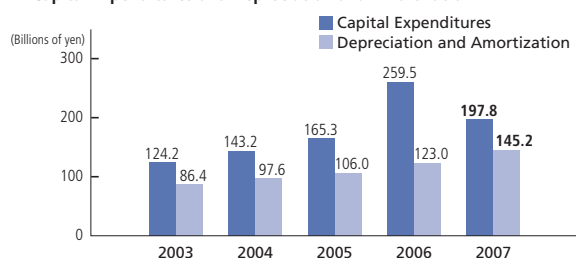
Total assets rose 10.0% to ¥2,037,896 million (US\$17,263 million) as a result of expanded business activities. Total liabilities rose 7.9% to ¥1,082,043 million (US\$9,166 million), minority interests increased 14.4% to ¥196,942 million (US\$1,668 million) and net assets totaled ¥955,853 million (US\$8,097 million).



Capital Expenditures

Capital expenditures decreased 23.8% to ¥197,806 million (US\$1,676 million) as a result of investment in new products and product improvements to accommodate new vehicles. Additional investment included augmenting production capacities in Japan and overseas, streamlining production facilities, and R&D investments and others for new product development and evaluation facilities.

Capital Expenditures and Depreciation and Amortization



Future Outlook

Net sales for the fiscal year ending March 31, 2008 are projected to rise 5.1% to ¥2,500,000 million owing to increased sales of ATs.

While higher depreciation and amortization expenses and R&D expenses are expected, projections call for a 3.0% rise in operating income to ¥135,000 million on the back of increased sales and cost reduction efforts, as well as ordinary income of ¥137,000 million and net income of ¥68,000 million.

Risk Information

The following risks can potentially impact AISIN's performance and financial position. Any forward-looking statements mentioned herein reflect estimates as of June 22, 2007.

(1) Economic Trends

Within revenues from AISIN's worldwide operations, demand for mainstay automobile related products is vulnerable to economic conditions in the countries and regions where AISIN products are sold. Consequently, economic recessions in such crucial markets as Japan, North America, Europe and Asia as well as subsequent contraction in demand have the potential to negatively impact AISIN's performance and financial position. AISIN's operations could also be indirectly vulnerable due to economic conditions in regions where competitors manufacture products. For example, in cases where competitors employ cheaper labor in the region, this may have an adverse effect on AISIN's sales of the same types of products since competitors can provide more competitively priced products. Moreover, if the local currency in which AISIN produces components and raw materials depreciates, manufacturing costs may decline for both AISIN and other manufacturers. This may result in intensified export and price competition, and subsequently, may have a negative impact on AISIN's performance and financial position.

(2) Supply of Raw Materials and Components

AISIN's products are heavily dependent on raw materials and components provided by multiple suppliers outside the AISIN Group. While these external suppliers are obligated to provide stable services through basic contracts, they cannot guarantee supply in the event of shortages due to rapidly rising prices from market changes, supply crunches or unforeseen mishaps in their operations. Such an event has the potential to drive up prices for AISIN's products and halt production, and subsequently, may have a negative impact on AISIN's performance and financial position.

(3) Principal Customers

AISIN chiefly produces and sells automotive parts and life related products, with its mainstay Automotive Parts and Systems Business mostly targeting automobile manufacturers in and outside Japan. Among these customers, AISIN has the highest level of dependence on Toyota Motor Corporation (TMC) and the Toyota Group, with sales totaling ¥1,567,932 million (US\$13,282 million)

and representing 65.9% of AISIN's net sales in fiscal 2007. For that reason, changes in sales volume within TMC and the Toyota Group have the potential to negatively impact AISIN's performance and financial position. As of March 31, 2007, the portion of AISIN's voting shares held by TMC directly was 23.0%, and indirectly was 0.1%.

(4) Exchange Rate Fluctuations

AISIN has worked to bolster its sales in the Japanese market and aggressively pursue the cultivation of overseas markets chiefly in North America, Europe and Asia, to the extent that the ratio of overseas net sales to total net sales was 36.1% as of March 31, 2007.

Accounting items listed in local currency rates, including sales, expenses and assets in respective overseas countries, are converted into yen when making the consolidated financial statements. Accordingly, there is a possibility that the value of accounting items may be negatively impacted after translation even when there is no fluctuation in local currencies. The strengthening of the yen against other currencies (especially against the U.S. dollar and the euro, which account for a significant portion of AISIN's sales) may negatively impact AISIN's performance and financial position.

Such strengthening of the yen against other currencies in business operations that manufacture and export from Japan could relatively reduce AISIN's price competitiveness on a global basis and potentially have a negative impact on AISIN's performance and financial position. While AISIN is working to minimize the negative impact of exchange rate fluctuations among various currencies, including the U.S. dollar, the euro and the yen, such fluctuations may have the potential to negatively impact AISIN's performance and financial position.

(5) Business Inroads in Overseas Markets

AISIN has subsidiaries and affiliates in such varying areas as North America, Europe and Asia. Expanding businesses in overseas markets entails the risks listed below, and may have the potential to negatively impact AISIN's performance and financial position when they occur.

1. Unanticipated laws and regulations and changes to the tax system unfavorable to business
2. Underdeveloped social overhead capital (infrastructure)
3. Occurrences of unfavorable governmental issues or economic conditions
4. Difficulties in hiring and retaining staff
5. Social upheavals due to terrorism, war or other factors

(6) Product Development

AISIN works to develop new products to provide added value and contribute to the enrichment of society. While AISIN aims to continue developing original and attractive products, the following are some of the risks entailed in the often complex and uncertain process involving the development and sales of cutting-edge products. The inability to sufficiently anticipate changes in respective industries and markets as well as develop and release attractive new products in a timely manner due to the following risks could hamper future growth and profitability and have a negative impact on AISIN's performance and financial position.

1. There is no guarantee that the necessary funds and resources for investment in new products and technologies will be sufficiently available.
2. There is no guarantee that long-term and substantial investment will produce successful new products and technologies.
3. There is no guarantee that AISIN will accurately predict which new products and technologies will gain the support of the market or succeed in marketing these products.
4. There is no guarantee that new products and technologies will be protected as intellectual property.
5. Rapid advances in technology and changes in market needs may make AISIN's products obsolete.
6. Delays in commercialization of technologies under development may not keep pace with trends in market demand.

(7) Product Defects

AISIN is fully committed to producing high-quality, attractive products that meet customer needs based on the concept of "Quality First." However, AISIN cannot guarantee that there will be no defects or that recalls will not be made in the future. Moreover, while AISIN is insured for product liability indemnity, there is no guarantee that this policy will fully cover the final indemnities. Product defects that lead to widespread recalls and product liability indemnities could produce large cost burdens and downgrade the valuation of AISIN. This would subsequently hamper sales and could negatively impact AISIN's performance and financial position.

(8) Effects of Disaster and Power Blackouts

AISIN conducts regular disaster prevention and equipment checks to minimize the adverse effects of a halt in production line operations. However, there is no guarantee that AISIN can fully prevent or lessen the effects of a disaster, power blackout or other such events that may cause discontinuation of operations at a production facility. For example, the majority of AISIN's domestic factories are located in the Chubu region of Japan. Consequently, a large-scale earthquake in the Chubu region or other events that may halt operations could negatively impact AISIN's performance and financial position.

Consolidated Five-year Financial Summary

AISIN SEIKI CO., LTD. and Its Subsidiaries
Years ended March 31

	Millions of Yen				
	2003	2004	2005	2006	2007
Net Sales	¥ 1,408,013	¥ 1,605,252	¥ 1,829,065	¥ 2,120,589	¥ 2,378,612
Domestic Sales	1,103,980	1,208,312	1,269,497	1,406,585	1,520,082
Overseas Sales	304,033	396,940	559,568	714,004	858,530
Operating Income	80,601	86,768	95,111	118,097	131,034
Net Income	47,994	34,719	46,719	61,096	66,890
Total Assets	1,224,311	1,382,585	1,503,314	1,853,459	2,037,896
Net Assets	428,602	506,261	552,753	678,881	955,853
Common Stock	41,140	45,049	45,049	45,049	45,049
Capital Expenditures (Cash Flows)	115,355	147,586	162,328	218,753	224,434
Depreciation and Amortization	86,350	97,564	105,969	123,034	145,277
R&D Expenses	80,075	89,076	95,545	95,149	103,750
Return on Equity (ROE)	11.2%	7.4%	8.8%	9.9%	9.3%

Per Share of Common Stock	Yen				
	2003	2004	2005	2006	2007
Net Income — Basic	¥ 171.98	¥ 126.11	¥ 159.94	¥ 209.15	¥ 233.03
Net Income — Diluted	161.28	118.38	159.77	208.86	232.71
Net Assets	1,612.96	1,771.12	1,928.58	2,361.66	2,662.78
Cash Dividends	15.00	18.00	24.00	32.00	40.00
Average Number of Shares (in thousands)	273,747	267,404	285,807	286,628	287,039
Equity to Assets Ratio	35.0%	36.6%	36.8%	36.6%	37.2%
Number of Employees	44,132	47,616	53,237	59,587	66,383

Notes:

- Income per share of common stock is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period, and net assets per share of common stock is calculated based on the number of shares outstanding at year-end.
- Effective beginning the year ended March 31, 2005, the "Accounting Standards for Net Income per Share (Corporate Accounting Standard No. 2)" and "Guidelines for the Application of Accounting Standards for Net Income Per Share (Guidelines for the Application of Corporate Accounting Standards No. 4)" issued by the Accounting Standards Board of Japan on September 25, 2002 have been applied.
- Effective beginning the year ended March 31, 2007, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Corporate Accounting Standard No. 5)" and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No. 8)" issued by the Accounting Standards Board of Japan on December 9, 2005 have been applied.
- Scope of consolidation for the fiscal year ended March 31, 2007
Consolidated subsidiaries (total 141 companies):

<ul style="list-style-type: none"> • Aisin Takaoka Co., Ltd. • Aisin Chemical Co., Ltd. • Aisin AW Co., Ltd. • Aisin Living Planner Co., Ltd. • Aisin Keikinzoku Co., Ltd. • Aisin Sinwa Co., Ltd. • Aisin Development Co., Ltd. • Aisin Kiko Co., Ltd. 	<ul style="list-style-type: none"> • Aisin AI Co., Ltd. • Aisin Sin'ei Co., Ltd. • Aisin AW Industries Co., Ltd. • Hosei Brake Industry Co., Ltd. • ADVICS Co., Ltd. • Aisin Holdings of America, Inc. • Aisin World Corp. of America • Aisin Automotive Casting, Inc. 	<ul style="list-style-type: none"> • Aisin U.S.A. Mfg., Inc. • AW North Carolina, Inc. • Aisin Drivetrain, Inc. • ADVICS Manufacturing Ohio, Inc. • Aisin Europe S.A. • AW Europe S.A. • Elite Sewing Machine Mfg., Co., Ltd. • Tangshan Aisin Gear Co., Ltd.
<ul style="list-style-type: none"> • Aisin Brake & Chassis, Inc. • Aisin Mfg. Illinois, LLC • Aisin Automotive Casting Tennessee, Inc. • ADVICS North America Inc. • Tangshan Aisin Automotive Parts Co., Ltd. • Siam Aisin Co., Ltd. and others 		

Affiliates accounted for by the equity method (total 12 companies)

- Etedy Corporation
- Etedy America Corporation
- Cataler Corporation and others

- The number of consolidated subsidiaries and affiliates accounted for by the equity method is as follows.

	2003	2004	2005	2006	2007
Consolidated subsidiaries	106	114	122	132	141
Affiliates accounted for by the equity method	14	14	14	14	12

Consolidated Balance Sheets

AISIN SEIKI CO., LTD. and Its Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 136,307	¥ 128,213	\$ 1,155
Short-term investments	15,652	8,701	133
Trade notes and accounts receivable	363,726	336,865	3,080
Inventories (Note 7)	168,763	148,782	1,430
Deferred tax assets (Note 18)	48,387	42,842	410
Other current assets	35,266	30,403	298
Less: allowance for doubtful accounts	(732)	(1,776)	(6)
Total current assets	767,369	694,030	6,500
Investments and other assets:			
Investments in securities (Notes 5, 6, 8)	357,422	319,717	3,028
Long-term loans	4,260	4,314	36
Deferred tax assets (Note 18)	24,229	21,451	205
Other	45,912	36,638	389
Less: allowance for doubtful accounts	(489)	(455)	(4)
Total investments and other assets	431,334	381,665	3,654
Property, plant and equipment, at cost:			
Land	88,412	85,321	749
Buildings and structures	503,781	460,024	4,268
Machinery and equipment	1,541,852	1,416,188	13,061
Construction in progress	48,302	60,482	409
Total property, plant and equipment	2,182,347	2,022,015	18,487
Less: accumulated depreciation	(1,343,154)	(1,244,251)	(11,378)
Net property, plant and equipment (Note 8)	839,193	777,764	7,109
Total fixed assets	1,270,527	1,159,429	10,763
Total assets	¥ 2,037,896	¥ 1,853,459	\$17,263

Note: The accompanying notes are an integral part of these financial statements.

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 16)	¥ 30,519	¥ 46,888	\$ 259
Trade notes and accounts payable	359,873	327,177	3,048
Current portion of bonds payable (Note 16)	15,000	150	127
Other payables	47,908	70,517	406
Accrued expenses	130,345	117,499	1,104
Accrued income taxes	41,647	31,783	353
Deposits received from employees	16,883	16,781	143
Accrued warranty cost	16,133	14,462	137
Other current liabilities	20,762	13,843	175
Total current liabilities	679,070	639,100	5,752
Long-term liabilities:			
Bonds payable (Note 16)	20,000	35,500	169
Long-term debt (Note 16)	221,076	176,811	1,873
Allowance for employee retirement benefits (Note 17)	79,794	78,228	676
Allowance for retirement and severance benefits for directors and corporate auditors	7,185	6,523	61
Long-term accrued expenses	1,052	2,542	9
Deferred tax liabilities (Note 18)	72,627	63,609	615
Negative goodwill	122	82	1
Other long-term liabilities	1,117	—	10
Total long-term liabilities	402,973	363,295	3,414
Total liabilities	1,082,043	1,002,395	9,166
Minority interests in consolidated subsidiaries	—	172,183	—
Net assets: (Notes 13, 21):			
Common stock, no par value:			
Authorized: 700,000,000 shares			
Issued: 294,674,634 shares in 2007 and 2006	45,049	45,049	382
Capital surplus	57,891	63,263	490
Retained earnings	501,010	445,241	4,244
Less: treasury stock, at cost	(1,568)	(1,821)	(13)
Total shareholders' equity	602,382	551,732	5,103
Net unrealized gain on available-for-sale securities	145,136	123,721	1,229
Profit & loss of deferral hedge accounting	(668)	—	(6)
Foreign currency translation adjustments	11,893	3,428	102
Total evaluation and conversion difference	156,361	127,149	1,325
Subscription warrant	168	—	1
Minority interests in consolidated subsidiaries	196,942	—	1,668
Total net assets	955,853	678,881	8,097
Total liabilities and net assets	¥ 2,037,896	¥ 1,853,459	\$ 17,263

Consolidated Statements of Changes in Net Assets

AISIN SEIKI CO., LTD. and Its Subsidiaries
Years ended March 31, 2007 and 2006

FY2007

	Millions of Yen				Total Shareholders' Equity
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2006	¥45,049	¥63,263	¥445,241	¥(1,821)	¥551,732
Increase (decrease) in FY2007					
Dividends paid			(9,958)		(9,958)
Bonus of directors and corporate auditors			(1,163)		(1,163)
Net income			66,890		66,890
Change according to internal dealings of common stock for treasury		(6,058)		(445)	(6,503)
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		686		717	1,403
Net change of items other than shareholders' equity					
Total changes in the term	—	(5,372)	55,769	253	50,650
Balance as of March 31, 2007	¥45,049	¥57,891	¥501,010	¥(1,568)	¥602,382

	Millions of Yen						Total Net Assets
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2006	¥123,721	¥ —	¥ 3,428	¥127,149	¥ —	¥172,183	¥851,064
Increase (decrease) in FY2007							
Dividends paid							(9,958)
Bonus of directors and corporate auditors							(1,163)
Net income							66,890
Change according to internal dealings of common stock for treasury						(1,810)	(8,313)
Purchase of treasury stock							(19)
Disposal of treasury stock							1,403
Net change of items other than shareholders' equity	21,415	(668)	8,465	29,212	168	26,569	55,949
Total changes in the term	21,415	(668)	8,465	29,212	168	24,759	104,789
Balance as of March 31, 2007	¥145,136	¥(668)	¥11,893	¥156,361	¥168	¥196,942	¥955,853

	Millions of U.S. Dollars				Total Shareholders' Equity
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2006	\$382	\$535	\$3,772	\$(15)	\$4,674
Increase (decrease) in FY2007					
Dividends paid			(84)		(84)
Bonus of directors and corporate auditors			(10)		(10)
Net income			566		566
Change according to internal dealings of common stock for treasury		(51)		(4)	(55)
Purchase of treasury stock					(0)
Disposal of treasury stock		6		6	12
Net change of items other than shareholders' equity					
Total changes in the term	—	(45)	472	2	429
Balance as of March 31, 2007	\$382	\$490	\$4,244	\$(13)	\$5,103

	Millions of U.S. Dollars						Total Net Assets
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2006	\$1,048	\$—	\$ 29	\$1,077	\$—	\$1,458	\$7,209
Increase (decrease) in FY2007							
Dividends paid							(84)
Bonus of directors and corporate auditors							(10)
Net income							566
Change according to internal dealings of common stock for treasury						(15)	(70)
Purchase of treasury stock							(0)
Disposal of treasury stock							12
Net change of items other than shareholders' equity	181	(6)	73	248	1	225	474
Total changes in the term	181	(6)	73	248	1	210	888
Balance as of March 31, 2007	\$1,229	\$(6)	\$102	\$1,325	\$1	\$1,668	\$8,097

FY2006

	Millions of Yen				
	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Less: Treasury Stock, at Cost	
Balance as of March 31, 2005	¥45,049	¥63,061	¥392,836	¥(3,116)	¥497,830
Increase (decrease) in FY2006					
Dividends paid			(7,664)		(7,664)
Bonus of directors and corporate auditors			(1,027)		(1,027)
Net income			61,096		61,096
Change according to internal dealings of common stock for treasury					
Purchase of treasury stock				(24)	(24)
Disposal of treasury stock		202		1,319	1,521
Net change of items other than shareholders' equity					
Total changes in the term	—	202	52,405	1,295	53,902
Balance as of March 31, 2006	¥45,049	¥63,263	¥445,241	¥(1,821)	¥551,732

	Millions of Yen						
	Evaluation and Conversion Difference			Total Evaluation and Conversion Difference	Subscription Warrant	Minority Interests in Consolidated Subsidiaries	Total Net Assets
	Net Unrealized Gain on Available-for-sale Securities	Profit & Loss of Deferral Hedge Accounting	Foreign Currency Translation Adjustments				
Balance as of March 31, 2005	¥ 66,597	¥—	¥(11,675)	¥ 54,923	¥—	¥145,693	¥698,446
Increase (decrease) in FY2006							
Dividends paid							(7,664)
Bonus of directors and corporate auditors							(1,027)
Net income							61,096
Change according to internal dealings of common stock for treasury							
Purchase of treasury stock							(24)
Disposal of treasury stock							1,521
Net change of items other than shareholders' equity	57,124	—	15,103	72,226	—	26,490	98,716
Total changes in the term	57,124	—	15,103	72,226	—	26,490	152,618
Balance as of March 31, 2006	¥123,721	¥—	¥ 3,428	¥127,149	¥—	¥172,183	¥851,064

Note: The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

AISIN SEIKI CO., LTD. and Its Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 134,287	¥ 125,097	\$ 1,138
Adjustment for:			
Depreciation and amortization	145,277	123,034	1,231
Increase in allowance for retirement benefits	1,538	3,192	13
(Decrease)Increase in allowance for retirement and severance benefits for directors and corporate auditors	648	(407)	5
Interest and dividend income	(4,736)	(3,926)	(40)
Interest expenses	3,546	2,581	30
Investment profit on equity method	(6,303)	(5,542)	(53)
Loss on disposal of property, plant and equipment	5,688	3,717	48
Increase in trade notes and accounts receivable	(20,737)	(46,720)	(176)
Increase in inventories	(14,424)	(23,493)	(122)
Increase in trade notes and accounts payable	26,187	59,048	222
Increase in prepaid pension expense	(1,743)	(1,429)	(15)
Decrease in long-term accrued expenses	—	(6,545)	—
Others	974	(5,721)	8
Subtotal	270,202	222,886	2,289
Interest and dividend income received	5,753	4,748	49
Interest paid	(2,814)	(2,498)	(24)
Income taxes paid	(44,739)	(39,420)	(379)
Net cash provided by operating activities	228,402	185,716	1,935
Cash flows from investing activities:			
Increase (Decrease) in time deposit and short-term investments	(6,576)	10,075	(56)
Payments for purchase of property, plant and equipment	(224,434)	(218,753)	(1,901)
Proceeds from sales of property, plant and equipment	7,850	4,113	66
Payments for purchase of investments in securities	(11,708)	(9,433)	(99)
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	(2,086)	—	(18)
Proceeds from sales of investments in securities	1,396	2,506	12
Proceeds from redemption at maturity of investments in securities	5,496	1,086	47
Payments for loans made	(1,400)	(1,068)	(12)
Proceeds from collections of loans	938	1,009	8
Others	(6,091)	(5,031)	(51)
Net cash used in investing activities	(236,615)	(215,496)	(2,004)
Cash flows from financing activities:			
Decrease in short-term borrowings	(5,299)	(22,598)	(44)
Proceeds from long-term debt	50,209	65,187	425
Repayments of long-term debt	(18,995)	(7,688)	(161)
Proceeds from issuance of bonds payable	—	10,000	—
Repayments of bonds payable	(650)	—	(6)
Contributions from minority shareholders	52	671	0
Cash dividends paid	(9,953)	(7,660)	(84)
Cash dividends paid to minority shareholders	(3,664)	(2,569)	(31)
Proceeds from sales of treasury stocks	1,695	1,521	14
Payments for purchase of treasury stocks	(34)	(30)	(0)
Net cash provided by financing activities	13,361	36,834	113
Translation adjustment of cash and cash equivalents	2,946	4,758	25
Net increase in cash and cash equivalents	8,094	11,812	69
Cash and cash equivalents at beginning of year	128,213	116,401	1,086
Cash and cash equivalents at end of year	¥ 136,307	¥ 128,213	\$ 1,155

Note: The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

AISIN SEIKI CO., LTD. and its Subsidiaries
Years ended March 31, 2007 and 2006

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by AISIN SEIKI CO., LTD. ("Aisin Seiki") and its subsidiaries (together, "AISIN") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from consolidated financial statements prepared by Aisin Seiki as required by the Securities and Exchange Law of Japan and submitted to the Director of the Kanto Local Finance Bureau of Japan.

2. U.S. Dollar Amounts

Amounts in United States dollars included herein are solely for convenience. The translation should not be construed as representations that Japanese yen have been, could have been, or may in the future be, converted into United States dollars. The exchange rate at March 31, 2007 of ¥118.05=US\$1 has been used in the translation.

3. Reclassification

Certain comparative figures have been reclassified to conform with the current year's presentations.

4. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of Aisin Seiki and all of its subsidiaries, specifically 141 subsidiaries (64 domestic subsidiaries and 77 overseas subsidiaries) in fiscal 2007 and 132 subsidiaries (61 domestic subsidiaries and 71 overseas subsidiaries) in fiscal 2006. For the year ended March 31, 2007, 10 subsidiaries were newly added to the scope of consolidation and one subsidiary has been removed from the scope of consolidation. All significant intercompany accounts and transactions and unrealized profit among the companies, if any, have been eliminated in consolidation.

Most of Aisin Seiki's overseas subsidiaries close their books at December 31 every year, three months earlier than Aisin Seiki.

Since fiscal 2006, CVTEC Co., Ltd. changed its fiscal year-end from December 31 to March 31, and Aisin Seiki consolidated their 15-month results. Also AD Nobi Co., Ltd. and AD Sunutopia Co., Ltd. changed their fiscal year-end from June 30 to March 31, and Aisin Seiki consolidated their 9-month results. Overseas subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan have been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan.

Goodwill is amortized over five years from the occurred period. In cases where the amount is not significant, it is charged to income as incurred. Assets and liabilities of subsidiaries are revalued at their fair value as of the date of acquisition of control based on the full fair value method.

(2) Investments in Affiliates

The investments in all affiliates (12 companies in 2007, 14 companies in 2006) are accounted for by the equity method.

(3) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, all highly liquid debt instruments with original maturities of three months or less are considered as cash equivalents.

(4) Financial Instruments

(a) Securities

AISIN does not have trading securities, which are held for the purpose of generating profits on short-term differences in prices, or held-to-maturity debt securities, which AISIN intends to hold to maturity. Other securities with readily determinable fair values are stated at fair value.

Net unrealized gains or losses on these securities are included in "Net unrealized gain on available-for-sale securities" as a separate component of net assets at a net-of-tax amount. Gains and losses on disposition of such securities are computed by the moving-average method.

Other securities without readily determinable fair values are stated at cost, as computed by moving-average method.

(b) Derivatives

All derivatives, except for hedging instruments, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

The derivatives designated as hedging instruments by AISIN are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable, loans, securities and long-term debt. AISIN has a policy to utilize the above hedging instruments in order to reduce the exposure to risk with regard to interest rate and exchange rate fluctuations. Thus, AISIN's purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

AISIN evaluates the effectiveness of its hedging activities by comparing to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(5) Inventories

Finished products, work in process and supplies (excluding steel supplies and fuel) are mainly stated at cost, as determined by the periodic average method. Raw materials, steel supplies and fuel are mainly stated at the lower of cost, as determined by the last-in, first-out method, or market.

(6) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed mainly by the declining balance method at rates based on the useful lives and residual values of the assets stipulated by the tax law in Japan. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Accounting for Finance Leases

Where finance leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of Aisin Seiki and its domestic subsidiaries is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(8) Allowance for Employee Retirement Benefits

AISIN accrues an amount which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of year.

(9) Allowance for Retirement and Severance Benefits for Directors and Corporate Auditors

AISIN provides for the accrued cost of retirement benefits payable to directors, managing officers and corporate auditors at an amount equivalent to 100 percent of such benefits for which AISIN would be required to pay based on an internal rule regarding the directors' retirement benefits.

(10) Allowance for Doubtful Accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit losses for doubtful or troubled receivables and a general reserve for other receivables calculated based on historical loss experience for a certain past period.

(11) Accrued Warranty Cost

Accrued warranty cost has been provided for at the aggregate amount of the estimated claim incurred in the warranty period based on historical experience.

(12) Accrued Bonuses for Directors and Officers

AISIN provides for the accrued cost of bonuses payable to directors and managing officers at an amount which is considered to be incurred in the period.

On November 29, 2005, the Accounting Standards Board of Japan issued "Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No 4)." AISIN adopted the standard for the year ended March 31, 2007.

As a result, income before income taxes and minority interest decreased ¥1.7 billion.

And at "Geographical Information" under "Segment Information," operating income in the geographical segment "Japan" decreased by the same amount.

In the financial statement of the previous year, bonuses to directors and corporate auditors had been recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. Bonuses paid to directors and corporate auditors had been recorded as a part of the appropriation of retained earnings, instead of being charged to income, as permitted by Japanese accounting standards.

(13) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of

income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(14) Translation of Financial Statements of Consolidated Foreign Subsidiaries and Affiliates

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates at the fiscal year-end.

Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. And revenues and expenses have been translated at the average exchange rates.

Translation differences, after allocating to minority interest for portions attributable to minority interest, are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheets.

(15) Per Share Data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed as if warrants or stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by Aisin Seiki, as applicable to the respective years.

(16) Presentation of Net Assets in the Balance Sheet

Effective beginning the year ended March 31, 2007, AISIN has adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No. 5, December 9, 2005)" and "Guidance on accounting standard for presentation of net assets in the balance sheet (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005)." The total amount for what had been referred to as "Shareholders' Equity" is equivalent to ¥759,411 million.

As a result, minority interests in subsidiaries, which were disclosed as a separate component between liabilities and net assets in the consolidated balance sheets in the prior year are disclosed as a line item under net assets in the fiscal year under review.

(17) Share-based Payment

Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Statement No. 8, December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Guidance No. 11, final revision on May 31, 2006). As a result, operating income, ordinary income, and income before income taxes and minority interest decreased by ¥167 million, respectively. The effect on "Segment Information" is provided separately.

(18) Business Combinations and Business Divestitures

Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7, December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, December 27, 2005). As a result, operating income decreased by ¥98 million.

There have been no effect on ordinary income or income before income taxes and minority interest. The effect on "Segment Information" is provided separately.

5. Marketable Securities

Marketable investment securities are classified as other than trading or held-to-maturity, that is to say, available-for-sale securities, and are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized.

As of March 31, 2007 and 2006, gross unrealized gains and losses for marketable securities included in short-term investments and investments in securities are summarized as follows:

(1) Marketable Securities Classified as Other Securities

	Millions of Yen		
	2007		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	¥45,834	¥285,455	¥239,621
Bonds			
Government	10,004	10,024	20
Corporate	500	508	8
Others	81	81	0
Subtotal	56,419	296,068	239,649
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	1	1	(0)
Bonds			
Government	7,324	7,297	(27)
Corporate	3,158	3,142	(16)
Others	3,890	3,889	(1)
Subtotal	14,373	14,329	(44)
Total	¥70,792	¥310,397	¥239,605

	Millions of U.S. Dollars		
	2007		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	\$388	\$2,418	\$2,030
Bonds			
Government	85	85	0
Corporate	4	4	0
Others	1	1	0
Subtotal	478	2,508	2,030
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	0	0	(0)
Bonds			
Government	62	62	(0)
Corporate	27	27	(0)
Others	33	33	(0)
Subtotal	122	122	(0)
Total	\$600	\$2,630	\$2,030

	Millions of Yen		
	2006		
	Cost	Fair and Carrying Value	Unrealized Gains
Securities with Carrying Amounts			
Exceeding Acquisition Cost			
Stocks	¥45,880	¥254,030	¥208,150
Bonds			
Government	3,602	3,612	10
Corporate	1,599	1,602	3
Others	61	61	—
Subtotal	51,142	259,305	208,163
Securities with Acquisition Cost			
Exceeding Carrying Amounts			
Stocks	1	1	(0)
Bonds			
Government	8,887	8,798	(89)
Corporate	2,204	2,185	(19)
Others	158	158	(0)
Subtotal	11,250	11,142	(108)
Total	¥62,392	¥270,447	¥208,055

(2) Sales of Securities Classified as Other Securities

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Proceeds from sales	¥1,396	¥2,506	\$12
Gains on sales	550	326	5
Losses on sales	1	18	0

(3) Contents and Carrying Amounts of Securities without Readily Determinable Fair Value

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Other Securities			
Unlisted stocks	¥ 8,433	¥ 9,428	\$71
Money management funds	26,348	22,513	223
Bonds, others	1,620	3,273	14

(4) Redemption Schedule for Securities with Maturity Dates Classified as Other Securities

	Millions of Yen			
	2007			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	¥ 5,023	¥10,312	¥1,987	—
Corporate	1,846	1,803	—	—
Others	110	—	—	—
Others	5,296	33	—	—
Total	¥12,275	¥12,148	¥1,987	—

	Millions of U.S. Dollars			
	2007			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	\$ 43	\$ 88	\$17	—
Corporate	16	15	—	—
Others	1	—	—	—
Others	44	0	—	—
Total	\$104	\$103	\$17	—

	Millions of Yen			
	2006			
	Within 1 Year	Over 1 Year Within 5 Years	Over 5 Years Within 10 Years	Over 10 Years
Bonds				
Government	¥4,799	¥5,670	¥1,941	—
Corporate	1,850	1,937	—	—
Others	3,273	—	—	—
Others	—	41	—	—
Total	¥9,922	¥7,648	¥1,941	—

6. Investments in Affiliates

The amounts of investments in affiliates included in investments in securities and other assets as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
	Investments in securities	¥49,247	¥46,491
Other assets	1,176	1,165	10

7. Inventories

As of March 31, 2007 and 2006, inventories consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
	Finished products	¥ 74,825	¥ 67,097
Work in process	40,092	36,025	340
Raw materials and supplies	53,846	45,660	456
Total	¥168,763	¥148,782	\$1,430

8. Assets Pledged as Collateral

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Investments in securities	¥19,716	¥20,826	\$167
Property, plant and equipment (at net book value)	2,375	5,719	20
Other investments	628	775	5
Total	¥22,719	¥27,320	\$192

9. Contingent Liabilities

Total contingent liabilities as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Guarantee of bank loans of			
Employees	¥ 26	¥ 37	\$0
Others	319	1,957	3
Total	¥345	¥1,994	\$3

10. Advanced Depreciation of Fixed Assets Acquired with Government Subsidies

AISIN has applied advanced depreciation of fixed assets that have been acquired with government subsidies. For the year ended March 31, 2007, the advanced depreciation amounts directly deducted from the acquisition cost of property, plant and equipment were ¥181 million for buildings and structures, ¥626 million for machinery and vehicles, and ¥5 million for equipment.

11. Advanced Depreciation of Fixed Assets Acquired with Insurance Proceeds

AISIN has applied advanced depreciation of fixed assets that have been acquired with insurance proceeds. For the year ended March 31, 2007, the advanced depreciation amount directly deducted from the acquisition cost of property, plant and equipment was ¥160 million for buildings and structures.

12. Research and Development Expenses

Research and development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Research and development expenses	¥103,750	¥95,148	\$879

13. Changes in Net Assets

The authorized number of shares of common stock was 700 million as of March 31, 2007, except in cases where there was a reduction due to a cancellation of treasury stock acquired.

(1) Number of Outstanding Stock

Common stock	Shares
	2007
March 31, 2006	294,674,634
Increase	—
Decrease	—
March 31, 2007	294,674,634

(2) Number of Treasury Stock

Common stock	Shares
	2007
March 31, 2006	7,701,168
Increase	—
Shares attributed to minority shareholders resulting from repurchasing from subsidiaries	2,732,297
Request for repurchase of odd-lot shares	8,757
Change in percentage of shareholding	19
Decrease	—
Exercise of stock options	698,200
Shares attributed to Aisin Seiki resulting from sales from affiliates	13,168
Request for sales of odd-lot shares	728
March 31, 2007	9,730,145

(3) Dividends

Paid Dividends

Resolution	Class of Shares	Millions of Yen	Yen	Record Date	Effective Date
		Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2006	Common stock	¥5,590	¥19.00	March 31, 2006	June 22, 2006
Board of Directors' meeting held on October 31, 2006	Common stock	4,706	16.00	September 30, 2006	November 27, 2006

Resolution	Class of Shares	Millions of U.S. Dollars	U.S. Dollars	Record Date	Effective Date
		Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2006	Common stock	\$47	\$0.16	March 31, 2006	June 22, 2006
Board of Directors' meeting held on October 31, 2006	Common stock	40	0.14	September 30, 2006	November 27, 2006

Dividends payable which will be effective in next period

Resolution	Class of Shares	Source	Millions of Yen	Yen	Record Date	Effective Date
			Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2007	Common stock	Retained earnings	¥6,839	¥24.00	March 31, 2007	June 22, 2007

Resolution	Class of Shares	Source	Millions of U.S. Dollars	U.S. Dollars	Record Date	Effective Date
			Total Dividends	Per Share		
Ordinary General Meeting of Shareholders held on June 22, 2007	Common stock	Retained earnings	\$58	\$0.20	March 31, 2007	June 22, 2007

14. Leases

The aggregate future minimum payments for finance leases and noncancelable operating leases as of March 31, 2007 and 2006 were as follows:

(1) Finance leases (as lessee) other than those where ownership is considered to be transferred to the lessee

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Due within one year	¥2,427	¥2,698	\$21
Due after one year	4,988	6,838	42
Total	7,415	9,536	63
Lease expenses for fiscal year	¥3,864	¥3,755	\$33

(2) Operating leases (as lessee)

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 864	¥1,199	\$ 7
Due after one year	1,705	2,133	14
Total	¥2,569	¥3,332	\$21

15. Derivatives

All derivatives are utilized for the hedge purpose of reducing exposure to adverse fluctuations in interest rates and foreign exchange rates. The notional amounts and the estimated fair value of the derivative transactions outstanding as of March 31, 2007 and 2006 were as follows:

Foreign Currency Transactions

	Millions of Yen			Millions of U.S. Dollars		
	2007			2007		
	Notional Amount	Fair Value	Unrealized Gain (Loss)	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts						
Sell						
U.S. Dollars	¥43,606	¥43,863	¥ (257)	\$370	\$372	\$ (2)
Euro	8,321	8,454	(133)	70	72	(2)
New Taiwan Dollars	347	343	4	3	3	0
Thai Baht	775	830	(55)	7	7	(0)
Buy						
U.S. Dollars	1,580	1,576	(4)	13	13	(0)
Thai Baht	55	55	0	0	0	0
Currency options						
Sell						
U.S. Dollars call	1,181			10		
	[6]	12	(6)	[0]	0	(0)
Euro call	315			3		
	[2]	3	(1)	[0]	0	(0)
Thai Baht call	295			2		
	[0]	7	(7)	[0]	0	(0)
Buy						
U.S. Dollars put	1,181			10		
	[6]	12	6	[0]	0	0
Euro put	315			3		
	[2]	3	1	[0]	0	0
Thai Baht put	295			2		
	[0]	2	2	[0]	0	0
Currency swaps						
Receipt Yen						
Payment U.S. Dollars	28,277	(1,142)	(1,142)	240	(10)	(10)
Receipt Yen						
Payment Euro	2,344	(376)	(376)	20	(3)	(3)
Receipt Yen						
Thai Baht	2,649	(629)	(629)	23	(5)	(5)
Receipt Yen						
Payment Australian Dollars	175	(17)	(17)	1	(0)	(0)
Total	¥91,711	¥52,996	¥(2,614)	\$777	\$449	\$(22)

Interest Rate Transactions

	Millions of Yen			Millions of U.S. Dollars		
	2007			2007		
	Notional Amount	Fair Value	Unrealized Gain	Notional Amount	Fair Value	Unrealized Gain
Interest rate swaps						
Fixed rate receipt						
Floating rate payment	¥1,417	¥23	¥23	\$12	\$0	\$0
Total	¥1,417	¥23	¥23	\$12	\$0	\$0

Foreign Currency Transactions

	Millions of Yen		
	2006		
	Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts			
Sell			
U.S. Dollars	¥32,049	¥32,261	¥ (212)
Euro	4,625	4,700	(75)
New Taiwan Dollars	1,172	1,204	(32)
Thai Baht	275	280	(5)
Buy			
U.S. Dollars	266	268	2
Currency options			
Sell			
U.S. Dollars call	1,175		
	[6]	13	(7)
U.S. Dollars put	94		
	[0]	1	0
Euro call	286		
	[1]	3	(2)
Thai Baht put	453		
	[0]	13	(13)
Buy			
U.S. Dollars put	1,175		
	[6]	12	6
U.S. Dollars call	94		
	[0]	1	1
Euro put	286		
	[1]	2	1
Thai Baht call	453		
	[0]	3	3
Currency swaps			
Receipt Yen			
Payment U.S. Dollars	15,627	(953)	(953)
Receipt Yen			
Payment Euro	2,574	(130)	(130)
Receipt Yen			
Payment Australian Dollars	175	4	4
Total	¥60,779	¥37,683	¥(1,412)

Interest Rate Transactions

	Millions of Yen		
	2006		
	Notional Amount	Fair Value	Unrealized Gain
Interest rate swaps			
Fixed rate receipt			
Floating rate payment	¥1,410	¥21	¥21
Total	¥1,410	¥21	¥21

- The fair values are based on the rate presented by our financial institutions, etc.
- Derivatives for which hedge accounting is applied are excluded from this disclosure.
- Option premiums within the consolidated balance sheets are disclosed, in brackets [], under the contract or notional amounts.

16. Bonds Payable and Borrowings

(1) Bonds Payable

Bonds payable as of March 31, 2007 and 2006 consisted of the following:

Issued by	Item	Millions of Yen		Millions of U.S. Dollars		Annual Interest	Year of Due
		2007	2006	2007			
AISIN SEIKI	Unsecured straight bonds	¥15,000	¥15,000	\$127		2.65 %	2008
AISIN SEIKI	Unsecured straight bonds	10,000	10,000	85		0.965	2011
AISIN SEIKI	Unsecured straight bonds	10,000	10,000	85		2.00	2021
AISIN CHEMICAL	Unsecured straight bonds	—	150	—		0.59	2006
AISIN SINWA	Unsecured straight bonds	—	500	—		0.20	2009
Total		¥35,000	¥35,650	\$297			

Annual maturities of bonds payable are as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31,		
2008	¥15,000	\$127
2009	—	—
2010	—	—
2011	10,000	85
2012	—	—
2013 and thereafter	10,000	84
Total	¥35,000	\$297

(2) Borrowings

Borrowings as of March 31, 2007 and 2006 consisted of the following:

Item	Millions of Yen		Millions of U.S. Dollars	Annual Interest	Year of Due
	2007	2006	2007		
Short-term borrowings	¥ 24,003	¥ 28,518	\$ 203	3.19%	
Current portion of long-term debt	6,515	18,370	55	2.15	
Long-term debt	221,076	176,811	1,873	1.24	2008-2036
Total	¥251,594	¥223,699	\$2,131		

Annual maturities of long-term debt are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥ 14,099	\$ 119
2010	20,122	170
2011	6,711	57
2012	6,010	51
2013 and thereafter	174,134	1,476
Total	¥221,076	\$1,873

17. Allowance for Employee Retirement Benefits

AISIN has defined benefit pension plans, defined contribution pension plans and lump-sum retirement benefit plans, which substantially cover all employees.

The following table reconciles the benefit obligations and net periodic retirement benefit expense as at or for the years ended March 31, 2007 and 2006.

Component of projected benefit obligation:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥200,231	¥195,264	\$1,696
Fair value of pension plan assets at end of year	(135,368)	(126,434)	(1,147)
Projected benefit obligation in excess of pension plan assets	64,863	68,830	549
Unrecognized prior service cost	11,044	13,212	94
Less, unrecognized actuarial loss	(10,270)	(16,814)	(87)
Unrecognized pension plan assets	—	586	—
Prepaid pension cost	14,157	12,414	120
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	¥ 79,794	¥ 78,228	\$ 676

Component of net periodic retirement benefit expense:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Service cost	¥10,693	¥10,495	\$ 91
Interest cost	3,806	3,705	31
Expected return on pension plan assets	(3,209)	(2,800)	(27)
Amortization of prior service cost	(2,308)	(2,268)	(20)
Recognized actuarial differences	2,780	3,839	24
Contribution to defined contribution plan	102	105	1
Net periodic retirement benefit expense	11,864	13,076	100
Others	2,741	2,434	24
Total	¥14,605	¥15,510	\$124

Major assumptions:	2007	2006
	Method attributing the projected benefits to periods of service	Point method
Discount rate	2.0%	2.0%
Expected return on pension plan assets	2.5%~3.0%	2.5%~3.0%
Amortization period of prior service cost	10 years	10 years
Amortization of unrecognized actuarial gains or losses	10 years	10 years

Point method. AISIN charges to the current year periodic pension cost for the sum amount of, a) interest cost, b) service cost additionally earned as "point" that is a predetermined amount with AISIN's policy.

18. Deferred Income Taxes

(1) Summary of the Components of Deferred Income Taxes

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Deferred tax assets			
Allowance for employee retirement benefits	¥ 29,267	¥29,223	\$248
Accrued expenses	31,424	28,076	266
Depreciation	18,793	14,970	159
Accrued warranty cost	6,434	5,767	55
Others	29,484	23,971	250
Deferred tax assets subtotal	115,402	102,007	978
Less valuation allowance	(6,367)	(4,263)	(54)
Deferred tax assets total	109,035	97,744	924
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	95,572	82,973	810
Special depreciation of acquired assets	1,929	2,053	16
Special depreciation reserves	1,394	1,377	12
Depreciation	9,338	8,451	79
Others	814	2,206	7
Deferred tax liabilities	109,047	97,060	924
Net deferred taxes	¥ (12)	¥ 684	\$ 0

Net deferred tax liabilities consist of the following components on the consolidated balance sheets.

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Current assets—Deferred tax assets	¥48,387	¥42,842	\$410
Investments and other assets—Deferred tax assets	24,228	21,451	205
Long-term liabilities—Deferred tax liabilities	72,627	63,609	615
Net deferred taxes	¥ (12)	¥ 684	\$ 0

(2) Reconciliation of the Difference between the Statutory Tax Rate and the Effective Income Tax Rate

	2007	2006
Statutory tax rate	39.88%	39.88%
(Adjustment)		
Tax exempt income	(3.44)	(2.17)
Non-deductible expenses	0.43	0.49
Tax credit by tax incentives for research and development	(4.02)	(4.31)
Change in valuation allowance	0.10	0.15
Others	0.39	(1.64)
Effective income tax rate	33.34%	32.10%

19. Segment Information

(1) Industry Segments

ALISIN's main business is manufacturing and sales of automotive parts. Sales, operating income and assets occupy over 90% in all segments. Therefore information of industry segment is omitted.

(2) Geographical Information

			Millions of Yen		Millions of U.S. Dollars
			2007	2006	2007
Sales	Japan	Customers	¥1,668,563	¥1,516,392	\$14,134
		Intersegment	314,020	299,071	2,660
		Total	1,982,583	1,815,463	16,794
	North America	Customers	373,538	348,156	3,165
		Intersegment	9,143	9,336	77
		Total	382,681	357,492	3,242
	Europe	Customers	174,838	142,643	1,481
		Intersegment	6,524	5,431	55
		Total	181,362	148,074	1,536
	Others	Customers	161,673	113,397	1,369
Intersegment		8,717	7,954	74	
Total		170,390	121,351	1,443	
Eliminations		(338,404)	(321,791)	(2,866)	
Consolidated		2,378,612	2,120,589	20,149	
Operating Costs and Expenses	Japan	1,883,568	1,716,253	15,955	
	North America	374,592	352,812	3,173	
	Europe	177,452	147,463	1,503	
	Others	149,550	106,747	1,266	
	Eliminations	(337,584)	(320,783)	(2,858)	
	Consolidated	2,247,578	2,002,492	19,039	
Operating Income	Japan	99,016	99,210	839	
	North America	8,088	4,680	69	
	Europe	3,910	611	33	
	Others	20,840	14,604	177	
	Eliminations	(820)	(1,008)	(8)	
	Consolidated	131,034	118,097	1,110	
Assets	Japan	1,837,712	1,696,262	15,567	
	North America	265,183	250,055	2,246	
	Europe	99,489	82,801	843	
	Others	152,119	123,071	1,289	
	Eliminations	(316,607)	(298,730)	(2,682)	
	Consolidated	¥2,037,896	¥1,853,459	\$17,263	

1. Geographical information is realized by geographical proximity.

Main countries are:

2007: (1) North America: U.S.A., Mexico (2) Europe: Belgium, Czech (3) Others: Thailand, China

2006: (1) North America: U.S.A., Mexico (2) Europe: Belgium, UK (3) Others: Taiwan, Thailand, China

2. Assets eliminations mainly included unallocated corporate items such as cash and cash equivalents of Aisin Seiki.

3. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No. 4, November 29, 2005)." As a result, operating income in "Japan" decreased ¥1.7 billion.

4. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Share-based Payment (Accounting Standards Board of Japan Statement No. 8, December 27, 2005)" and "Guidance on Accounting Standard for Share-based Payment (Accounting Standards Board of Japan Guidance No. 11, final revision on May 31, 2006)." As a result, operating income in "Japan" decreased ¥167 million.

5. Effective beginning the year ended March 31, 2007, AISIN has applied "Accounting Standard for Business Combinations (Accounting Standards Board of Japan, October 31, 2003)," "Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Statement No. 7, December 27, 2005)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Guidance No. 10, December 27, 2005)." As a result, operating income decreased ¥98 million in "Japan" and less than ¥0 million in "Europe."

(3) Sales**(a) Sales by Item**

			Millions of Yen		Millions of U.S. Dollars
			2007	Increase/Decrease	2007
Automotive related					
Engine related		¥ 223,275	¥ 25,876	¥ 197,399	\$ 1,891
Drivetrain related		1,014,017	112,373	901,644	8,590
Brake & chassis related		468,261	43,079	425,182	3,967
Body related		433,211	53,662	379,549	3,670
Information & other automotive related		140,053	16,822	123,231	1,186
Automotive related total		2,278,817	251,812	2,027,005	19,304
Rate to total		95.8%	0.2%	95.6%	95.8%
Life & energy related		51,593	(1,395)	52,988	437
Others		48,202	7,606	40,596	408
Grand total		¥2,378,612	¥258,023	¥2,120,589	\$20,149

(b) Sales By Geographical Area

			Millions of Yen		Millions of U.S. Dollars
			2007	Increase	2007
Overseas					
North America		¥ 415,764	¥ 38,224	¥ 377,540	\$ 3,522
Europe		205,129	31,251	173,878	1,738
Asia & Others		237,637	75,051	162,586	2,013
Overseas total		858,530	144,526	714,004	7,273
Rate to total		36.1%	2.4%	33.7%	36.1%
Japan		1,520,082	113,497	1,406,585	12,877
Grand total		¥2,378,612	¥258,023	¥2,120,589	\$20,149

Main countries or regions are:

2007: (1) North America: U.S.A., Mexico (2) Europe: Sweden, Germany (3) Asia & Others: Thailand, South Korea, China

2006: (1) North America: U.S.A., Mexico, Canada (2) Europe: Sweden, Germany (3) Asia & Others: Thailand, South Korea, China, Taiwan

20. Related Party Transactions

During the years ended March 31, 2007 and 2006, Aisin Seiki had operational transactions with Toyota Motor Corporation, which holds 23.1% of Aisin Seiki's total shares.

A summary of the significant transactions between Aisin Seiki and such a company for the years ended, or as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of
	2007	2006	U.S. Dollars
For the year:			2007
Sales of automotive parts	¥344,388	¥301,877	\$2,917
At the year-end:			
Trade accounts receivable	¥ 48,216	¥ 43,330	\$ 408

21. Stock-based Compensation

At the Ordinary General Meeting of Shareholders held in June 2007, shareholders approved Share Acquisition Rights, which earmark a maximum of 800,000 shares of common stock to be further distributed among directors and managing officers of Aisin Seiki, its subsidiaries and affiliates. The purpose of this is to enhance enthusiasm and raise morale for improving business performance.

The Share Acquisition Rights were granted at a predetermined exercise price, which price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant or 1.05 times the average closing price in the full calendar month prior to the month of the grant date.

Each of the Share Acquisition Rights is exercisable for the period from August 1, 2009 to July 31, 2013.

Information about the outstanding stock option plan is as follows.

Years of Approval	Number of Outstanding Shares	Exercise Price per Share	Exercise Period
2003	133,600	¥ 1,848	Aug. 1, 2005 ~ Jul. 31, 2007
2004	969,000	2,425	Aug. 1, 2006 ~ Jul. 31, 2008
2005	711,000	2,655	Aug. 1, 2007 ~ Jul. 31, 2011
2006	733,000	3,340	Aug. 1, 2008 ~ Jul. 31, 2012

Number of Outstanding Options

Year of Approval	Shares			
	2006	2005	2004	2003
Prior to vesting				
Beginning balance	—	711,000	819,000	—
Grants	733,000	—	—	—
Exercising	1,000	1,000	—	—
Vesting	—	—	819,000	—
Ending balance	732,000	710,000	—	—
Following vesting				
Beginning balance	—	—	—	600
Vesting	—	—	819,000	—
Exercising	—	—	697,800	400
Expired	—	—	2,000	—
Ending balance	—	—	119,200	200

Price Information

Year of Approval	Yen			
	2006	2005	2004	2003
Exercise price	¥3,340	¥2,655	¥2,425	¥1,848
Average share price at time of exercise	—	—	3,424	3,415
Fair market value on date of grant	—	—	—	—

Year of Approval	U.S. Dollars			
	2006	2005	2004	2003
Exercise price	\$28	\$22	\$21	\$16
Average share price at time of exercise	—	—	29	29
Fair market value on date of grant	—	—	—	—

During the years ended March 31, 2007 and 2006, Aisin Seiki had transactions with Motoyasu Tanaka, vice chairman of Aisin Seiki and director of Aisin Seiki Health Insurance Association. The summary of the transactions is as follows:

	Millions of Yen		Millions of
	2007	2006	U.S. Dollars
For the year:			2007
Payment of employees' health insurance expenses	¥73	¥88	\$1



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Report of Independent Auditors

To the Board of Directors of AISIN SEIKI CO., LTD.

We have audited the accompanying consolidated balance sheet of AISIN SEIKI CO., LTD. ("the Company") and its subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 13, 2007