

AISAN INDUSTRY CO., LTD.

Annual Report 2008

Year ended March 31, 2008

Carving the Future for Customers

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CAUTIONARY NOTE WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements made in this annual report with respect to Aisan's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Aisan. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them. Aisan cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to (i) changes in economic conditions, currency exchange rates, the laws, regulations, government policies, or political instability in our major markets, (ii) circumstances relating to our ability to develop, in a timely manner, and achieve market acceptance of new products, and (iii) shortage of fuel or interruptions in transportation systems, labor strikes, work stoppages, or other interruptions to or difficulties in the employment of labor in the major markets where we purchase materials, components, and supplies for the production of our products or where our products are produced, distributed, or sold.

Notes:

1. Statements made in this annual report are in accordance with Japan GAAP and unaudited.
2. U.S. dollar amounts have been translated, for convenience only, at the rate of Yen101.19=US\$1, the approximate exchange rate prevailing on March 31, 2008, the last trading day of the fiscal year.

Financial Highlights

Financial Summary

Aisan Industry Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Yen in millions					U.S. dollars in thousands
	2004	2005	2006	2007	2008	2008
Net Sales:	¥123,250	¥138,395	¥156,693	¥175,003	¥189,589	\$1,873,594
Sales in Japan	94,938	102,907	110,594	117,488	119,508	1,181,026
Sales outside Japan	28,312	35,488	46,099	57,515	70,081	692,568
Net Income	3,593	4,250	4,029	3,285	5,310	52,476
Total Assets	98,180	111,343	124,423	135,586	139,754	1,381,105
Shareholders' Equity	51,683	58,017	63,325	67,721	72,800	719,439
Capital Expenditures	8,309	11,637	10,857	13,674	10,890	107,619
Depreciation	6,145	6,881	7,493	8,486	9,897	97,806
	Yen					U.S. dollars
Per Share:						
Net Income	¥66.83	¥77.88	¥70.94	¥59.44	¥95.81	\$0.95
Cash dividends	12.00	14.00	14.00	19.00	22.00	0.22
Average Number of Shares (in thousands)	51,982	53,172	55,134	55,273	55,422	
Number of employees	4,835	5,036	5,447	6,140	6,390	

Sales by Products

	Yen in millions					U.S. dollars in thousands
	2004	2005	2006	2007	2008	2008
Electronic Fuel Injection	¥67,559	¥74,381	¥81,216	¥90,085	¥99,055	\$978,901
Fuel pumps	22,812	26,413	33,153	39,564	46,129	455,865
Throttle bodies	28,915	29,482	29,521	32,944	35,159	347,455
Fuel injectors	8,873	9,682	9,538	9,136	8,873	87,687
Intake modules	3,334	4,135	5,448	5,702	5,655	55,885
Accelerator Pedal Modules	2,517	2,899	2,326	1,491	1,073	10,604
Others	1,106	1,768	1,229	1,246	2,163	21,376
Carbon canisters	13,318	15,873	21,361	27,061	29,002	286,609
Engine Valves	10,416	10,904	11,879	13,080	14,356	141,872
Carburetors	5,536	5,942	5,593	4,739	3,685	36,417
Other Automotive	19,669	24,435	29,353	32,660	35,941	355,183
Automotive sub-total	116,545	131,537	149,404	167,627	182,041	1,799,002
Others	6,705	6,858	7,288	7,375	7,547	74,582
Total	¥123,250	¥138,395	¥156,693	¥175,003	¥189,589	\$1,873,594

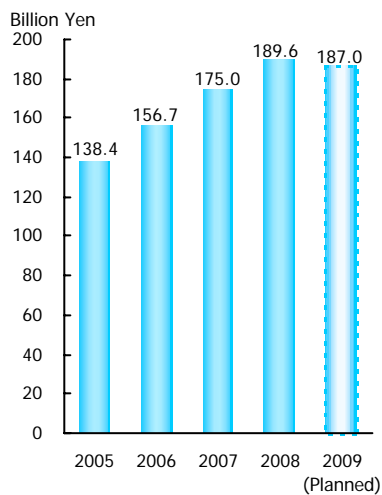
Notes:

1. The calculation of per share amounts is based on the average number of shares during the fiscal year.
2. The figures for fuel pumps includes sales of fuel pump modules.
3. The number of consolidated subsidiaries at each fiscal year-end was as follows.

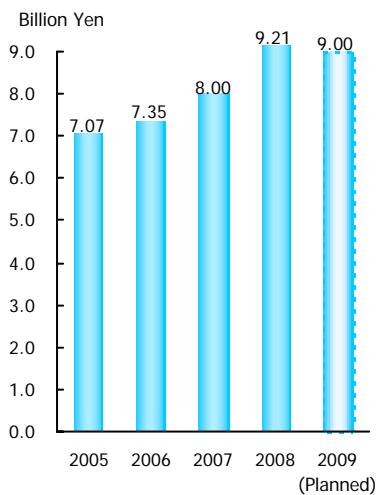
	2004	2005	2006	2007	2008
Consolidated Subsidiaries	19	16	19	20	21

Aisan Industry Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

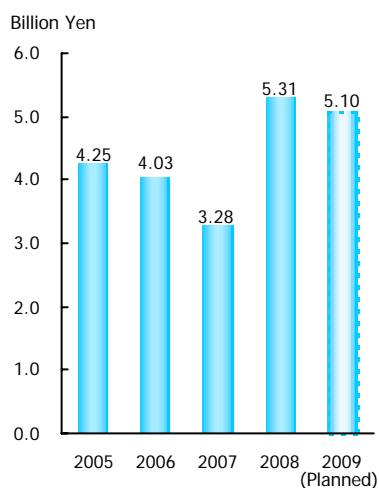
Net Sales



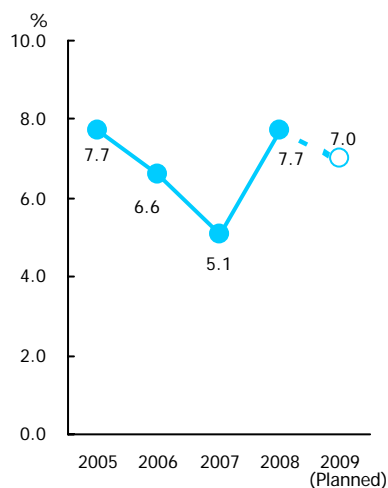
Operating Income



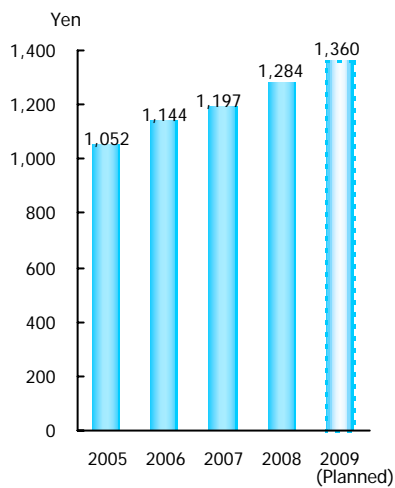
Net Income



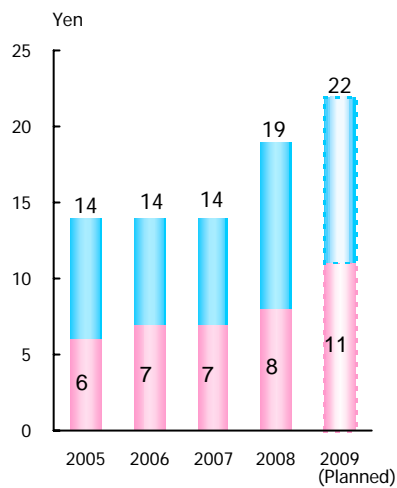
ROE



Net Assets per share



Cash Dividends per share



To Our Shareholders



Yoshito Kato
President

I would like to take this opportunity to thank our shareholders for the continued support of Aisan Industries and each subsidiary of the Aisan Industry Group. It is my pleasure to report on the financial achievements of fiscal year 2008.

In December 2008, Aisan Industries will be celebrating its 70th Anniversary, a fete made possible by the efforts of our shareholders and partners. We are accelerating our structural renovation at this time, and taking new steps to achieving VISION 2015 "Carving the Future for Customers - Impressing Our World-wide Customers".

Our Group is currently facing a severe environment, including a declining market in Japan and North America, and circumstances with exchange rates and costs of raw materials.

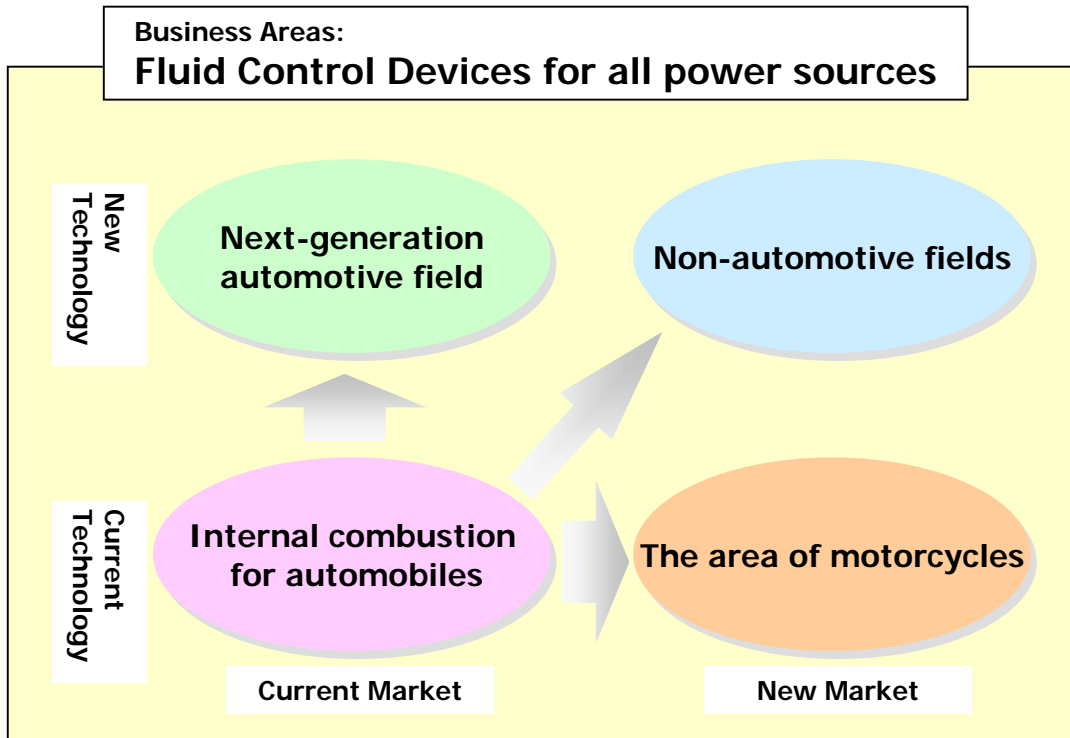
However, we are aiming for further business growth under our company slogan "Creating World-class Value from the Customers' Viewpoint - Creating Superior Quality with our Own Processes!" We ultimately hope to become a company trusted by all shareholders.

I would like to extend my gratitude to our shareholders and partners for their continued trust and support.

Yoshito Kato
June 2008

Carving the Future for Customers

Contributing to develop environmental-friendly power sources



Breaking News

Reinforcing Aluminum Die Cast Operations in Czech Republic

Our factory facilities at our Czech subsidiary "Aisan Industry Czech s.r.o" (AIL) have been expanded to strengthen our aluminum die cast operations.



Aisan Industry Louny s.r.o.

Business with Honda Motor Co., Ltd.

Delivery of the "EGR cooler bypass valve" was started to Honda Motor Co., Ltd., to contribute to reducing exhaust gas from diesel vehicles.



EGR Cooler by-pass Valve

Production of Fuel Pump Modules in China

Production of the fuel pump module was started at our Chinese subsidiary "Aisan (Tianjin) Auto Parts Co., Ltd." (ATA).



Fuel Pump Module

Healing Room at "Tennen Onsen Kakitsubata"

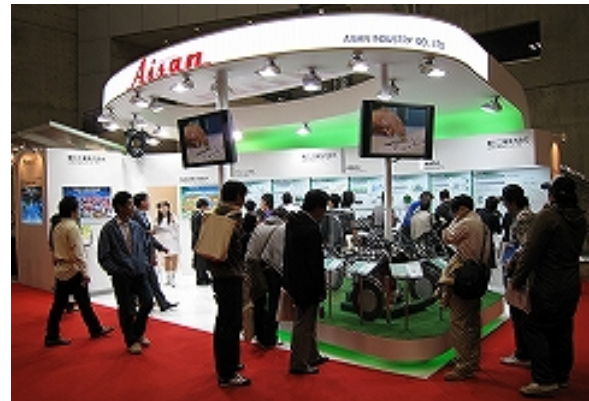
A healing room, featuring crystal rock salt, was newly added to the "Tennen Onsen Kakitsubata" managed by our subsidiary "Aikyo Sangyo Co., Ltd." at the Kariya Highway Oasis along the Ise-Wangan-Expressway.



"Crystal Rock Salt" Healing Room

Promoting Environment-Friendly Products at Tokyo Motor Show

We took part in the 40th Tokyo Motor Show, and exhibited our environment-friendly products, including products for improving fuel efficiency and reducing exhaust gas.



New Products

Fuel Injection



High Efficiency Fuel Pump

Contributing to improved fuel efficiency with world's No. 1 high efficiency



Throttle Module

Lightweight and compact size contribute improved fuel efficiency of compact motorcycles

Diesel



Exhaust Gas Control Valve

Compatible with clean diesel applications

Gaseous Fuel



Exhaust Gas Control Valve

Compatible with strict exhaust gas restrictions for LPG engines

CONSOLIDATED BALANCE SHEETS

Aisan Industry Co., Ltd.

For the year ended March 31, 2007 and 2008

ASSETS	Yen in millions		U.S. dollars in thousands
	2007	2008	2008
Current Assets	¥68,597	¥68,850	\$680,403
Cash and deposits	11,357	12,488	123,411
Trade accounts and notes receivable	30,460	31,192	308,252
Negotiable securities	6,371	3,382	33,422
Inventory assets	12,992	13,533	133,739
Deferred tax assets	3,263	3,636	35,932
Others	4,260	4,761	47,050
Allowance for bad debts	(108)	(144)	(1,423)
Fixed Assets	66,988	70,904	700,702
Tangible Fixed Assets	56,674	57,972	572,902
Buildings and structures	14,652	14,562	143,908
Machinery, vehicles	31,230	32,063	316,859
Land	5,282	5,273	52,110
Construction in progress	2,448	2,853	28,194
Others	3,061	3,220	31,821
Intangible Fixed Assets	1,383	1,695	16,751
Investments and Other Assets	8,930	11,236	111,039
Investments in securities	2,198	3,847	38,018
Deferred tax assets	2,828	3,072	30,359
Others	3,951	4,363	43,117
Allowance for bad debts	(48)	(46)	(455)
Total assets	¥135,586	¥139,754	\$1,381,105

CONSOLIDATED BALANCE SHEETS

Aisan Industry Co., Ltd.

For the year ended March 31, 2007 and 2008

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen in millions		U.S. dollars in thousands
	2007	2008	2008
LIABILITIES			
Current Liabilities	¥56,766	¥52,721	\$521,010
Notes payable and accounts payable	30,148	25,962	256,567
Short-term loans payable	8,251	8,120	80,245
Current portion of long-term loans	109	39	385
Accounts payable	2,339	2,520	24,904
Accrued expenses	7,265	7,194	71,094
Accrued income taxes	1,565	1,584	15,654
Deposits received from employee	2,725	2,752	27,196
Allowance for product warranty	2,386	2,915	28,807
Allowance for directors' bonus	121	136	1,344
Others	1,863	1,494	14,764
Fixed Liabilities	11,088	14,233	140,656
Long-term loans payable	2,611	5,607	55,411
Allowance for employee retirement benefits	7,468	7,685	75,946
Allowance for directors' retirement benefits	308	291	2,876
Others	700	648	6,404
Total liabilities	67,865	66,954	661,666
NET ASSETS			
Shareholders' Equity	63,869	68,521	677,152
Capital stock	7,401	7,488	73,999
Capital surplus	9,403	9,490	93,784
Retained earnings	47,082	51,562	509,556
Treasury stock	(18)	(19)	(188)
Valuation and Translation Adjustments	2,402	2,752	27,196
Net unrealized gains on other securities	897	512	5,060
Deferred hedge gains or losses	(9)	(17)	(168)
Translation adjustment	1,513	2,256	22,295
Stock Acquisition Rights	11	60	593
Minority Shareholders' Income	1,438	1,465	14,478
Total net assets	67,721	72,800	719,439
Total liabilities and net assets	¥135,586	¥139,754	\$1,381,105

CONSOLIDATED STATEMENTS OF INCOME

Aisan Industry Co., Ltd.

For the year ended March 31, 2006, 2007 and 2008

	Yen in millions			U.S. dollars in thousands
	2006	2007	2008	2008
Net Sales	¥156,693	¥175,003	¥189,589	\$1,873,594
Cost of sales	138,322	154,690	167,129	1,651,636
Gross Profit	18,370	20,313	22,459	221,949
Selling, general and administrative costs	11,023	12,315	13,248	130,922
Operating Income	7,347	7,997	9,211	91,027
Non-operating Income	631	922	547	5,406
Interest and dividend income	104	207	334	3,301
Others	527	714	213	2,105
Non-operating Expenses	598	754	1,515	14,972
Interest expenses	338	493	582	5,752
Others	259	260	933	9,220
Ordinary Income	7,381	8,165	8,243	81,461
Extraordinary Income	2	1,401	-	-
Profits on securities sold	-	1,296	-	-
Others	2	105	-	-
Extraordinary Loss	897	3,852	108	1,067
Losses on disposal of inventories	-	-	108	1,067
Provision of allowance for product warranty	-	2,959	-	-
Impairment losses	135	340	-	-
Subsidiary merging costs	-	160	-	-
Losses on disposal of fixed assets	414	155	-	-
Others	347	237	-	-
Income Before Income Taxes and Others	6,486	5,714	8,134	80,383
Income taxes-current	2,548	2,913	3,010	29,746
Income taxes-deferred	(165)	(661)	(359)	(3,548)
Minority shareholders' income	73	177	173	1,710
Net Income	¥4,029	¥3,285	¥5,310	\$52,476

	Yen			U.S. dollars
	2006	2007	2008	2008
Per Share of Common Stock				
Net income	¥70.94	¥59.44	¥95.81	\$0.95
Cash dividends per share applicable to the year	¥14.00	¥19.00	¥22.00	\$0.22
Average Number of Shares (in thousands)	55,134	55,273	55,422	

Note:

The calculation of per share amounts is based on the average number of shares during the fiscal year.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Aisan Industry Co., Ltd.

For the year ended March 31, 2008 and 2007

	Yen in millions				
	Shareholders' Equity	Valuation and Translation Adjustment	Stock Acquisition Rights	Minority Shareholders' Income	Total Net Assets
Balance as of March 31, 2007	¥63,869	¥2,402	¥11	¥1,438	¥67,721
Changes during the current period	4,652	350	49	26	5,078
New issue of stock	174				174
Dividends from surplus	(830)				(830)
Net income	5,310				5,310
Acquisition of Treasury stock	(1)				(1)
Disposition of Treasury stock	0				0
Net changes of items other than shareholders' equity during consolidated fiscal year		350	49	26	426
Total of changes during fiscal year					
Balance as of March 31, 2008	¥68,521	¥2,752	¥60	¥1,465	¥72,800

CONSOLIDATED STATEMENTS OF CASH FLOWS

Aisan Industry Co., Ltd.

For the year ended March 31, 2006, 2007 and 2008

	Yen in millions			U.S. dollars in thousands
	2006	2007	2008	2008
Operating Activities:	¥10,446	¥15,503	¥9,966	\$98,488
Income before income taxes and minority interests	6,486	5,714	8,134	80,383
Adjustments for:				
Depreciation	7,493	8,486	9,897	97,806
Impairment losses	135	340	-	0
Increase (decrease) in provision for doubtful accounts	(13)	6	30	296
Increase (decrease) in provision for products qualities	163	1,579	545	5,386
Increase (decrease) in provision for employee retirement benefits	313	183	228	2,253
Interest and dividend income	(104)	(207)	(334)	(3,301)
Interest expense	338	493	582	5,752
Decrease (Increase) in accounts receivable	(3,674)	(1,107)	(674)	(6,661)
Decrease (Increase) in inventories	(1,250)	(509)	(591)	(5,840)
Increase (decrease) in notes and accounts payable	3,371	4,503	(4,023)	(39,757)
Other	77	(870)	(446)	(4,408)
Total adjustments	13,335	18,612	13,348	131,910
Interests and dividends received	104	207	315	3,113
Interests paid	(338)	(493)	(563)	(5,564)
Income taxes and minority interests paid	(2,655)	(2,823)	(3,134)	(30,971)
Investing Activities:	10,387	(12,801)	(13,750)	(135,883)
Acquisition of property, plant and equipment	(9,758)	(14,335)	(11,157)	(110,258)
Purchase of investment securities	(925)	(720)	(2,854)	(28,204)
Sales of investment securities	-	1,491	3	30
Other	297	762	257	2,540
Financing Activities:	(305)	(476)	1,890	18,678
Net increase (decrease) in short-term borrowings	622	(1,268)	(384)	(3,795)
Proceeds from long-term borrowings	349	2,432	5,000	49,412
Repayments of long-term borrowings	(555)	(916)	(2,024)	(20,002)
Disposal of treasury stock due to exercise of stock options	182	98	174	1,720
Dividends paid	(826)	(773)	(830)	(8,202)
Dividends paid to minor shareholders	(76)	(48)	(42)	(415)
Other	(2)	(1)	(1)	(10)
Foreign Currency Translation Adjustment on Cash and Cash Equivalents	229	(44)	(3)	(30)
Net Increase in Cash and Cash Equivalents	(15)	2,180	(1,896)	(18,737)
Cash and Cash Equivalents at Beginning of Period	13,282	13,989	17,223	170,205
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	722	1,054	79	781
Cash and Cash Equivalents at End of Period	¥13,989	¥17,223	¥15,406	\$152,248

Corporate Data

As of March 31, 2007

Operations in Japan

	Major Products	Start of Operations	Employees	Location (Prefecture)	Land (square meters)
Headquarters	Intake Module, Carburetor	1957	1,300	Aichi	60,000
Anjo Plant	Throttle Body, Carbon Canister, Engine Valve	1971	1,000	Aichi	120,000
Toyota Plant	Fuel Injector, Fuel Pump, Fuel Pump Module	1990	500	Aichi	81,000

Subsidiaries and Affiliates: 6 companies

Operations outside Japan

	Company	Major products or Business	Established or invested	Capital (Local currency in thousands)	Voting rights ratio* (%)
U.S.A.	Franklin Precision Industry, Inc	Throttle bodies, carbon canisters, fuel pump modules, etc.	1991	US\$ 16,000	100.0
	Aisan Corporation of America	Sale of automotive parts	1982	US\$ 100	100.0
	Hyundam America, Inc.	Sale of automotive parts	2004	US\$ 300	100.0
France	Aisan Bitron Europe S.A.	Fuel pump modules, etc.	2000	Eur 32,990	100.0
Belgium	Aisan Corporation Europe S.A.	Sale of automotive parts	2004	Eur 700	100.0
Czech Republic	Aisan Bitron Czech s.r.o.	Fuel pumps, etc.	2000	Kcs 652,000	95.0
	Aisan Bitron Louny s.r.o.	Throttle bodies, etc.	2002	Kcs 438,000	95.0
Slovak Republic	Hyundam Slovakia s.r.o.	Sale of automotive parts	2006	W 280,000	100.0
Republic of Korea	Hyundam Industrial Co., Ltd.	Fuel pumps, etc.	1997	W 8,310,000	91.0
	Samae Precision Co., Ltd.	Fuel pumps, etc.	2003	W 1,000,000	81.0
China	Aisan Corporation Guangzhou Co., Ltd.	Sale of automotive parts	2006	US\$783	100.0
	Aisan (Tianjin) Auto Parts Co., Ltd.	Throttle bodies, carbon canisters, etc.	2003	Rmb 206,680	95.8
	Aisan (Foshan) Auto Parts Co., Ltd.	Throttle bodies, carbon canisters, engine valves	2004	US\$ 21,000	95.0
	Shenyang Xuantan Automobile Parts Co., Ltd.	Fuel pumps, etc.	2002	US\$ 2,150	100.0
	Chongqing Pingshan TK Carburetor Co., Ltd.	Carburetor for motorcycle, etc.	1994	US\$ 19,000	30.0
	TK Carburetor (Ningbo) Co., Ltd	Carburetor for motorcycle, etc.	2005	US\$ 1,200	60.0
India	IHD Industries Pvt. Ltd.	Fuel pumps, etc.	2002	Rs 66,000	100.0
Indonesia	P.T. Aisan Nasmoco Industri	Throttle bodies, carbon canisters, etc.	1997	Rp 30,940,000	85.0

* Including voting rights by the subsidiaries

Directors and Auditors

As of June 20, 2008

Board of Directors

President

Yoshito Kato

Vice President

Toyohiko Inoue

Nobuo Kobayashi

Senior Managing Director

Hiroshi Iwahana

Shoji Kawakami

Managing Directors

Yukito Hasegawa

Michikatsu Sato

Kaneo Imamura

Kozo Nomura

Masataka Nakano

Directors

Osamu Yamamoto

Hideo Yamada

Kenji Naruse

Genjiro Tada

Takaaki Takagi

Kunio Nakashima

Koji Inami

Hirohide Ichinomiya

Board of Corporate Auditors

Takeo Ogino

Kenji Kasamatsu

Susumu Miyoshi

Tatehito Ueda

Takeshi Shirane

Share Information

As of March 31, 2008

Corporate Headquarters

AISAN INDUSTRY CO., LTD.

1-1-1, Kyowa-cho, Obu, Aichi 474-8588, Japan

Telephone: +81 (0)562 47 1131

Facsimile: +81 (0)562 48 6357

Established

December 2, 1938

Stock Listings

Tokyo and Nagoya, Japan

Shares of Common Stock

55,347,696 shares issued and outstanding

Number of Shareholders

4,868

Major Shareholders (Top 10)

Toyota Motor Corporation

Denso Industries Corporation

Toyota Industries Corporation

Japan Trustee Services Bank, Ltd.

Trust & Custody Services Bank, Ltd.

Sumitomo Mitsui Banking Corporation

State Street Bank & Trust Co.

Mitsui Sumitomo Insurance Co., Ltd.

The Master Trust Bank of Japan, Ltd.

Aisan Employee Stock Ownership Plan

Fiscal year End

March 31

Ordinary Shareholders' General Meeting

June

Date of Record

March 31

Interim dividends are paid to the shareholders listed or the pledges registered at the end of September.

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

7-10-11, Higashisuna, Koto-ku, Tokyo, 137-8081 JAPAN

Phone: +81-3-5683-5111(main switchboard)

Transfer Assistance

Mitsubishi UFJ Trust and Banking Corporation branches

Head office and branches of Nomura Securities Co., Ltd.

AISAN INDUSTRY CO., LTD.

1-1-1, Kyowa-cho, Obu, Japan

www.aisan-ind.co.jp