【Environmental Accounting】

We continue to actively disclose environmental accounting data both inside and outside the company.

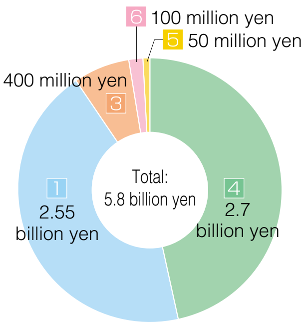
The environmental accounting in this report includes environmental conservation costs for reducing environmental hazards and the effects of our environmental conservation measures. The disclosure of our environmental accounting information is intended to help understand our environmental conservation activities. The data was summarized based on the guidelines set forth by the Ministry of the Environment.

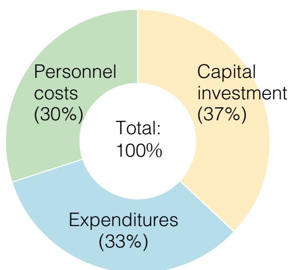
Environmental Conservation Costs

The environmental conservation costs for FY 2004 have been calculated by first categorizing, based on established criteria, the capital investment, operating costs, and personnel costs involved in environmental hazards reduction, such as prevention of air and water pollution and global warming. The categories are listed below. Our environmental conservation expenses are summarized on a cash-flow basis.

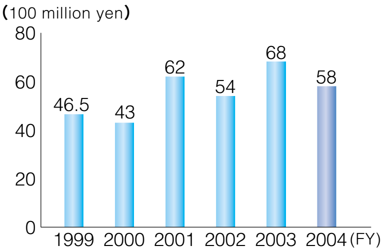
Category		Details of expenditures for FY 2004	Cost
1 Costs for business operation	(Costs for prevention of pollution) (Costs for global environment conservation) (Costs for resource recycling)	·Capital investment for installation of waste material incinerator (P29) ·Installation of cogeneration system at the Nishio Plant (P24) ·Capital investment for the purpose of energy savings (P24) ·Capital investment for the purpose of reducing waste materials (P26)	2.55 billion yen
2 Upstream and downstream costs		·Commission fee for recycling of packaging materials (details are not described in this report due to the small amount of the cost)	—
3 Costs for environmental management activities		·Operating and personnel expenses for an ISO 14001 audit (P11) ·Operating and personnel expenses for employee training (P44)	400 million yen
4 Research and development costs		·Operating and personnel expenses and capital investment for development of stationary fuel cells (P19) ·Operating and personnel expenses for developing lighter automotive parts (P18)	2.7 billion yen
5 Costs for community involvement		·Operating costs for green activities (P38)	50 million yen
6 Environmental damage costs		·Capital investment for restoration of past groundwater contamination damage (P29)	100 million yen

■Environmental conservation costs





■Annual statistics of environmental conservation costs

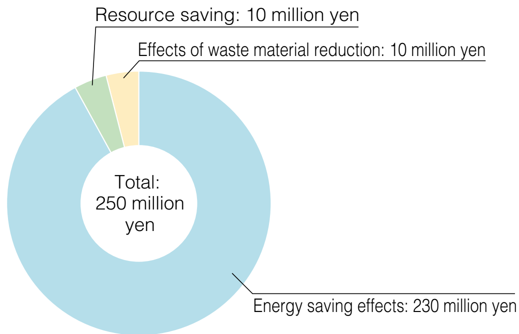


Major environmental conservation costs for FY 2004 include expenses for upgrading an incinerator and investment in the cogeneration system for the Nishio Plant. The costs for FY 2004 have dropped by 15% compared to those of FY 2003 because of the major capital investment for the construction of a laboratory building in FY 2003. The environmental conservation costs for next year are expected to be maintained at the same level as this year, 5.7 billion yen.

Effects of Environmental Conservation Measures

Effects can be described from economic and quantitative perspectives. Details of the quantitative effects are described in this report. Economic effects are calculated only for the business operations category, since it is the only category that can be correctly monitored. Presumptive or indirect effects, such as risk aversion and improvements of added value for products, could be included in the economic effects. However, such effects are not included in the calculation because criteria have not been established to include those effects into the economic figures. The effects of environmental conservation measures for FY 2004 alone are 250 million yen, as shown below.

■Effects of environmental conservation measures



The results from FY 2004 show a large share of the effects of the accumulation of individual energy saving efforts. The results of waste materials were down 34% from the previous year because the amount of waste materials decreased, and we did not gain benefits that would meet investments. The quantitative effects of carbon dioxide and waste materials treated by our contractors are described on pages 23 and 25. (Up to FY 2002, the cumulative effects had been described, taking equipment service life into consideration. From FY 2003, figures for single annual effects, which can be accurately calculated, have been described.)

Advice from an Environmental NPO

Orvis Environmental Management Research Institute
Mr. Seiji Mukai, representative

Environmental accounting, a method that allows each corporation to evaluate corporate environmental conservation activities, has been commonly included with the widespread use of environmental reports. Today, environmental accounting has begun not only to focus on environmental activities, but also to cover companies' involvement with society to develop into the accounting of environmental and social activities. Aisin Seiki began introducing environmental accounting in 1998. I expect that your accounting system will be upgraded to the level that matches your "Sustainability Report" by establishing your own evaluation system.