Aiming to Be an “Irreplaceable Global Partner”

The AISIN Group has promoted the spinoff of companies into a network of subsidiaries and affiliates centered on Aisin Seiki, which was established in 1965, to effectively leverage its advanced technological capabilities in the diversifying auto industry. By optimizing each company into a specialized business domain, we have become a corporate group able to process diverse materials such as steel, aluminum and resin into products that cover virtually all elements of driving that include the operating, turning and stopping functions of automobiles.

1965 - 1974

Birth of Aisin Seiki
Aisin Seiki was founded in 1965 through the merger of Aichi Kogyo Co., Ltd. and Shinkawa Kogyo Co., Ltd. with the aim of strengthening corporate structure and fortifying international competitiveness as an auto parts manufacturer.

Establishment of mass production structure
Production capacity was increased and strengthened to respond to a rapid expansion of automobile production.

Pursuit of self-reliance in technologies
To establish independent technologies, Aisin Seiki promoted measures to raise technological capabilities that included opening the Technology Development & Research Laboratory, building a proving ground and proactively introducing technologies from European and U.S. auto parts manufacturers.

Building a foundation for overseas business
Pursued to build a foundation for overseas business in preparation for an expansion in exports of auto parts and for taking on orders in an international company.

1975 - 1984

Pursuit of “Quality First”
During the period of changing corporate structure, Aisin Seiki strengthened quality control through total quality control (TQC), total productive maintenance (TPM), plant maintenance (PM) and the PM award, introducing new management systems such as the PM Prize and Total Productive Maintenance (TPM) categories.

Toward the age of car electronics
Aisin Seiki produced more advanced automobile electronics with traditional mechanisms to respond to the rapid advance in car electronics.

Research network for future technology development
Aisin Seiki established a research network to develop new products in energy and advanced device fields.

1985 - 1994

Full-fledged overseas production
With the establishment of Aisin Seiki in 1985, the AISIN Group also established full-fledged overseas production.

New developments in leading-edge technology fields
Established a new structure that combined electronics with traditional mechanisms.

Research network for future technology development
In anticipation of 21st century society, built an independent research network that included a research laboratory with basic fields as its themes.

1995 - 2004

Expanding and upgrading overseas business structure
Along with the start of full-fledged local production, the AISIN Group also commenced full-fledged overseas production.

Initiatives for development in energy fields
Aimed at new development themes such as fuel cells and solar cells.

Aiming for a sustainable society
Commenced various wide-scale initiatives that position global environmental protection as a social management issue based on recognition that making a sustainable society is a social responsibility of companies.

2005 -

Expansion and independence of global business
Along with the globalization of business, strengthened Group collaboration and progressed with the creation of a business structure in each region that enables operations managing their business structure, technology and sales to be carried out independently.

AISIN Group Main Product Lines

Powertrain Domain
- Manual transmissions for passenger cars
- Hybrid transmissions for passenger cars
- Automatic transmissions for passenger cars
- Electric water pumps
- Variable valve timing

Body Product Domain
- Horse hair
- Power sliding door systems
- Window regulators
- Power door latches
- Spring type dampening rods

Chassis & Vehicle Safety System Domain
- Active rear steering
- Brake-by-wire and master cylinders
- Disc brakes
- Parking assist systems
- Car navigation systems

L&E Domain
- Bolt, buffing and fixtures
- Hose screw machines
- Shaver coated seats
- Fuel cell cogeneration systems
- Heat-pump air conditioners for residential use

AISIN Group Main Product Lines

Variable valve timing
Active rear steering
Brake boosters and Brake assist systems
Disc brakes
Parking assist systems
Car navigation systems

Hydraulic brakes
Exhaust manifolds and converters
Manual transmissions
Hybrid transmissions
Automatic transmissions
Electric water pumps
Variable valve timing

Power sliding door systems
Window regulators
Power door latches
Spring type dampening rods

Horse hair
Power sliding door systems
Window regulators
Power door latches
Spring type dampening rods

Active rear steering
Brake-by-wire and master cylinders
Disc brakes
Parking assist systems
Car navigation systems

Bolt, buffing and fixtures
Hose screw machines
Shaver coated seats
Fuel cell cogeneration systems
Heat-pump air conditioners for residential use

AISIN GROUP REPORT 2016 | 01
A Year of Making Steady Steps and Taking on Challenges for a Leap Forward

In fiscal 2016, the AISIN Group promoted a variety of initiatives to further solidify its underlying foundation and implemented challenging measures for achieving its next leap forward. These efforts bore fruit, most notably evidenced by the development and sales of new products and systems, and also helped raise Group collaboration.

### Initiatives for strengthening our growth foundation

- **January 2015**
  - Thailand
  - Aisin (Thailand) Co., Ltd. established.

- **January & September 2015**
  - India
  - Aisin Automotive Haryana Pvt. Ltd. commenced delivery of sunroofs in January and Aisin AW Co., Ltd. commenced delivery of automatic transmissions in September to Mahindra & Mahindra Limited.

- **March 2015**
  - France
  - Aisin AW Industries Co., Ltd.’s Ikenoue Plant completed in Fukui Prefecture.

- **April 2015**
  - India
  - Aisin Sin’ei Co., Ltd.’s Koda Plant completed in Aichi Prefecture.

- **May 2015**
  - Czech Republic
  - ADVICS Manufacturing Czech s. r. o. commenced production of brake parts.

- **June 2015**
  - United States
  - Second plant completed at AISIN Chemical Indiana, LLC.

- **September 2015**
  - Toyota Motor Corporation’s manual transmission business consolidated into the operations of Aisin AI Co., Ltd.
  - India
  - Decision made for capital participation in Toyota Kirloskar Auto Parts Private Ltd.
  - Brazil
  - ADVICS Automotiva Latin America Ltda. commenced local production of brake parts.

- **November 2015**
  - South Africa
  - ADVICS South Africa (Pty) Ltd. commenced production of brake parts.
  - India
  - Transferred development of seat frames for Toyota Motor Corporation to Toyota Boshoku Corporation.

- **December 2015**
  - China
  - New office building completed at AISIN (Nantong) Technical Center of China Co., Ltd.
  - India
  - Aisin Automotive Karnataka Pvt. Ltd. commenced deliveries of engine parts to Tata Motors Limited.

- **March 2016**
  - Mexico
  - New plant constructed at ADVICS Manufacturing Mexico S. de R.L de C.V.

- **April 2016**
  - Mexico
  - Construction of a new plant for Aisin Keikinzoku Co., Ltd.’s next-generation automatic transmissions commenced in Toyama Prefecture.

### Create climate for improving Group collaboration

- **March 2015**
  - Japan
  - AISIN Group 50th anniversary website launched with frequently expanded content that includes a global clock featuring the participation of employees throughout the world.
  - April 2015
  - Japan
  - Ekiden long-distance relay road race held with the participation of 9,300 people from AISIN Group companies in Japan and overseas.

- **April 2015**
  - Japan
  - Commenced executive officer exchanges within the Group.

- **September 2015**
  - Japan
  - AISIN Group company exhibition hall “com-center” opened.

- **September 2015**
  - Japan
  - Held 50th anniversary commemorative ceremony and unveiled a new AISIN Group slogan, emblem and logo.

- **January 2016**
  - Japan
  - Development and production functions of the controlled brake business consolidated into ADVICS Co., Ltd. and the new Handa Plant constructed.

- **January 2016**
  - Mexico
  - Investment made in Toyota Autoparts Philippines Inc.

- **February 2016**
  - Mexico
  - Aisin Takaoka Mexico, S.A. De C.V. established.

- **March 2016**
  - Japan
  - Investment made in Toyota Autoparts Philippines Inc.

- **April 2016**
  - Japan
  - Transfer of development of seat frames for Toyota Motor Corporation to Toyota Boshoku Corporation.

- **May 2016**
  - China
  - New office building completed at AISIN (Nantong) Technical Center of China Co., Ltd.

- **December 2015**
  - China
  - New office building completed at AISIN (Nantong) Technical Center of China Co., Ltd.

- **March 2016**
  - Mexico
  - Construction of a new plant for Aisin Keikinzoku Co., Ltd.’s next-generation automatic transmissions commenced in Toyama Prefecture.

- **April 2016**
  - Mexico
  - Management integration with Shiroki Corporation.

- **April 2015**
  - Japan
  - Held “50 JUMBLE” with the participation of approximately 8,500 Group employees and their families. Completed the Group song “I sing for tomorrow” composed with lyrics solicited from Group employees.
Although unit sales of new cars declined in some emerging countries in fiscal 2016, the global auto industry performed favorably overall spurred in part by growth in the volume of new car sales in the major markets of North America, Europe and China. In contrast, domestic sales volume dipped below the previous year due to lower unit sales of compact cars.

During fiscal 2016, when the AISIN Group marked a milestone by celebrating its 50th anniversary, we implemented various initiatives focused on strengthening our competitiveness with the aim of becoming “developing further into a vital company capable of growing continuously.” Specifically, we fortified the Group’s competitive strengths, promoted the development of innovative technologies and reinforced our monozukuri (manufacturing) capabilities. Even though ordinary income declined, these measures resulted in increased net sales, operating income and profit attributable to owners of parent over the amounts recorded in the previous fiscal year.

Looking ahead to fiscal 2017, we will continue to accelerate crucial measures for strengthening the underlying foundation of our business implemented to the present. In doing so, we will strive to quickly achieve tangible results such as improving our profit structure and expanding sales as we shift toward high-quality growth.

As we work toward these objectives, we ask for your continued guidance and support.

Kanshiro Toyoda
Chairman
Aisin Seiki Co., Ltd.

Yasumori Ihara
President
Aisin Seiki Co., Ltd.
Message from Top Management

For a Better Tomorrow

We will achieve further growth, and strengthen competitiveness and Group collaboration with a sense of great determination.

1 | Review of Fiscal 2016

I wish to express my deepest sympathies to all the persons stricken by the 2016 Kumamoto earthquakes and am hoping for the quickest possible recovery of the devastated region. The AISIN Group was also affected by the earthquake and damage to Asin Kyushu Co., Ltd. and Asin Kyushu Casting Co., Ltd. caused great concern and inconvenience to all our stakeholders.

Nevertheless, Asin Kyushu Casting was able to resume production immediately after the disaster and Asin Kyushu has restored operations effective September 2016 thanks to the warm and prompt support of numerous stakeholders, beginning with our customers, business partners, team members and suppliers. Going forward, we will make Group-wide efforts to further reinforce our disaster prevention system.

Although the Japanese market declined below the level of fiscal 2015, which reflected lower unit sales of compact cars, the auto industry trended firmly on a global basis during fiscal 2016. Under these conditions, AISIN posted increases in both revenue and profits. To ensure that we remain a company that can continuously achieve growth, I believe we must become “a vibrant company that possesses true competitiveness and proposes new value.” With this in mind, during fiscal 2016 we focused on undertaking “problem-solving activities” and “strengthening Group competitiveness” to reinforce our underlying foundation. At the same time, we actively implemented a variety of initiatives for securing our future growth potential.

Fiscal 2016 Consolidated Financial Highlights

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>Ordinary Income</th>
<th>Profit attributable to owners of parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥3,243.1 billion</td>
<td>¥186.8 billion</td>
<td>¥96.9 billion</td>
</tr>
</tbody>
</table>

2 | Implementing “Problem-solving Activities” to Strengthen Our Underlying Foundation

First, in keeping with the principle of genchi genbutsu (go and see for yourself), during the past year I visited 220 of our 311 locations at approximately 200 companies worldwide to personally confirm the current state of our production, development and management. These visits reaffirmed my awareness that we have various issues in each function, geographic region and product. I immediately identified and examined 350 of the most critical issues and then

Our aim in fiscal 2018

A vibrant company that possesses true competitiveness and proposes new value

AISIN GROUP REPORT 2016

Slogan

“Do what you want to do to make tomorrow better.”
implemented initiatives across the entire company to solve them. The issues I observed spanned a broad area. These ranged from those directly related to business activities such as development, procurement, production and quality to issues that concern our corporate culture. I am confident that solving these issues will be the first step toward raising our competitive strengths, and for this reason, I quickly launched “problem-solving activities.” As an example of these measures, we moved to rejuvenate our bed business, which has continuously operated in the red, by launching promotional activities on an unprecedented scale to raise recognition levels for our ASLEEP brand of beds, bedding and furniture. These initiatives underscore my strong determination to attain profitability in this business. As another notable initiative during the year, we unveiled the slogan, “Do what you want to do to make tomorrow better.” This slogan aims at solidifying Group collaboration and unity to solve problems and reinvigorate Aisin’s corporate culture of taking on challenges. It also expresses our resolve to pursue sustainable growth by sharing the aspirations of the nearly 100,000 Aisin employees worldwide and encouraging all individuals to devote their utmost efforts to their favorite activities.

3 | Implementing Business Restructuring to Enhance Competitiveness

The environment surrounding the AISIN Group in the auto industry is becoming ever-more severe due to the birth of new mega-suppliers through M&A, the rise of emerging country suppliers, fierce competition to develop next-generation technologies and intensifying price competition, and the entry of new participants from different industries. Competition to develop next-generation technologies such as autonomous driving, powertrain electrification and electronic platforms is likely to fundamentally alter the business model of the auto industry. To overcome such changes and achieve growth, we embarked on business restructuring in five areas in fiscal 2016. This reorganization was prompted by the recognition that we must share our directions toward the future across the entire Group and establish true competitiveness that will allow us to vie successfully in global markets.

Business Restructuring Framework and State of Progress

Powertrain Domain
To strengthen our technology development and global supply structure for manual transmissions, we consolidated the development and Japanese production functions of Toyota Motor Corporation (TMC) under Aisin Al Co., Ltd. and also concluded a basic agreement for investing in Toyota Autoparts Philippines Inc. (Philippines) and Toyota Kirloskar Auto Parts Private Ltd. (India). The integration of these domestic production functions into Aisin AI was completed in February 2016 and the investment in Toyota Autoparts Philippines was executed in January 2016. With these moves, we have virtually completed the consolidation of domestic development and production functions.

From a global perspective, the market for manual transmissions is still huge. In view of this, I intend to quickly set up a structure that can respond globally in areas from development to production and establish a presence surpassing that of European manufacturers. Additionally, we are striving ahead with preparations for the management integration of Art Metal Mfg. Co., Ltd., a specialized manufacturer of engine pistons. This integration is just one initiative for concentrating the resources of Aisin Seiki’s engine components business in the field of energy management with a view toward future growth.

Chassis & Vehicle Safety System Domain
There are rising needs in preventive safety to eliminate accidents. In response, besides disc brakes and other basic brakes, controlled brakes that properly control basic brakes according to road surfaces and vehicle conditions are emerging as a key technology. Given this, we concluded a business transfer agreement to transfer the development, production and sales functions of the controlled brake production business of Aisin Seiki and DENSO Corporation to ADVICS Co., Ltd. Additionally, in January 2016, a new plant for manufacturing controlled brakes was completed at ADVICS in Hnda city, Aichi Prefecture. As these actions demonstrate, our efforts aimed at becoming the world’s number-one brake manufacturer have gotten off to running start.

Outline of business restructuring

![Diagram of business restructuring](image)

### Column

**Initiatives for Raising Awareness of the ASLEEP Brand**

Offering superb durability and pliability, our original material FINE REVO is used in our ASLEEP mattresses. This material realizes comfortable beds by allowing relaxing sleeping postures to be maintained over long periods. AISIN achieved a large increase in unit sales of these beds during the previous year by airing television and website commercials across Japan that emphasize the appealing features of this brand, and by innovating product displays at sales venues.

FINE REVO Features outstanding shape reproducibility

Scene from an ASLEEP brand TV commercial
Body Parts Domain
The body parts domain is facing intensifying cost competition. To strengthen competitiveness in this field, we have steadily integrated the management of Shiroki Corporation into Aisin Seiki. Accordingly, Aisin Seiki will now concentrate management resources into system products such as power sliding doors and sunroofs, and Shiroki will devote resources to external and functional parts, including door frames and window regulators. Through this reorganization, we expect to enhance the efficiency of development resources and mutually utilize both companies’ production hubs and customer bases. I believe this will also better enable us to leverage the competitiveness of the body parts business as a group.

In another strategic move, we transferred the development and sales of TMC’s seat frames, including recliners and slide rails, to Toyota Boshoku Corporation. Further, in January 2016, Aisin Seiki transferred to Toyota Boshoku all shares held in two joint venture companies in Brazil and Poland that were established with Toyota Boshoku.

Purpose of the Business Restructuring
Our business restructuring is not aimed simply at bringing together, as one, all the dispersed and overlapping business within the Group. Rather, this reorganization aims at attaining the top global shares for each product by more effectively concentrating our strengths in each company’s domain of expertise, raising competitiveness and prevailing against mega-suppliers and suppliers in rapidly growing emerging countries.

In fiscal 2017, the Group will continue to work in unison and complete efforts to realize the benefits of business restructuring to secure true competitiveness and shift gears toward attaining continuous growth.

4 | Measures for Further Strengthening Group Collaboration
To date, the AISIN Group has achieved growth by leveraging the high level of expertise of each Group company. To attain further growth in the future, each company must strengthen collaboration to fortify the competitiveness of the entire Group. We have already launched several initiatives toward this objective. For example, in the area of Group management, we are promoting initiatives for building a variety of systems that support group-wide collaboration. These include efforts to strengthen cost competitiveness by introducing joint procurement systems and launching initiatives to streamline fixed costs by sharing personnel management systems and accounting systems.

On the operational front, we will make group-wide responses such as efficiently utilizing Group resources for undertaking a large-scale expansion and strengthening the production capabilities of Aisin AW Co., Ltd. to meet the expected rise in demand for automatic transmissions.

Turning to technology development, three companies, namely Asin Seiki, Aisin AW and Aisin AI, have jointly developed an electric 4WD unit for hybrid cars. Installed in the new model Prius that rolled out on the world stage in December 2015, these units have been well received in areas with heavy snowfall and in cold-weather regions. Going forward, we will pursue further synergies in technologies within the Group and strive to consistently provide products that satisfy customers.

5 | Measures for Securing Future Growth Potential
During the past year we implemented business restructuring activities to strengthen Group collaboration to solidify our foundation and raise our competitiveness. The positive results of these efforts are now beginning to show results. From fiscal 2017, we will accelerate efforts to create new businesses and appealing products to ensure our future growth potential.

First, in the automotive parts business, as we work to develop next-generation products that anticipate future needs in areas such as powertrain electrification and autonomous driving, we established the Business Promotion Group within the Business Planning Department and the Future Strategy Group within the Technology Planning Department. We also launched efforts for determining the directions that we will pursue in the future, and for formulating related strategies. In early 2017, I would like to start moving forward with specific, meaningful projects that make good sense regarding the future of the AISIN Group.

As we strive to cultivate businesses that will become the second pillar of our operations, we are strengthening and expanding our energy-related and aftermarket businesses. We are also stepping up efforts to tackle the challenge of creating new products and businesses that uncover the needs of end users.

On a different front, we are proceeding with efforts to reinforce our underlying foundation. In terms of quality, we continuously promote improvement activities and make efforts to create quality that meets and exceeds customer expectations.

At the same time, we will focus on creating safer workplaces beginning with efforts to prevent disasters and accidents, undertake environmental protection activities such as reducing CO2 emissions and waste, and thoroughly implement compliance to a higher level as we fortify initiatives that reliably generate positive results.

I believe that my mission is to make the AISIN Group an organization of vibrant companies, raise cohesiveness and strengthen our competitiveness, and make AISIN a company with strong solution capabilities. For these reasons, I will put forth my utmost efforts to foster a corporate culture that enables each and every person working in the AISIN Group to take on challenges in pursuing their own dreams. As we all work “For a Better Tomorrow,” I would like to see AISIN become a corporate group that can contribute even more to society and the world. You can count on the AISIN Group to attain these goals in the future.
AISIN Group Top Management Discussion

Toward Becoming the World’s Top Body Parts Manufacturer

Currently, competition in the auto industry is increasing on a global scale. As price competition with suppliers in emerging countries intensifies, automakers compete fiercely in the development of next-generation technologies and new participants from different industries are entering the market using IT as a competitive strength.

To counter this changing environment and achieve sustainable growth, the AISIN Group conducted business restructuring in five areas. One of these is the management integration between Aisin Seiki and Shiroki Corporation. Maximizing the advantages of this management integration, we have now embarked on a new challenge of becoming the world’s top body parts manufacturer.

Background and Purpose of Management Integration

To Prevail over Intensifying Global Competition

Ihara: The integration of management of Aisin Seiki and Shiroki took place on April 1, 2016. First, let me explain what led to this decision. Anywhere in the world, the Japanese auto industry is now facing fiercer competition with the birth of mega-suppliers through M&A and the rise of emerging country suppliers. In the field of auto body parts, Aisin Seiki had managed to prevail in the competition with many European and U.S. manufacturers in the past. Recently, however, we have been forced into competition with manufacturers in emerging countries armed with low-cost production and begun to lose more cases. In order to fight more effectively in this difficult battle with low-cost suppliers in emerging countries and mega-suppliers in Europe and the United States, we decided to team up with Shiroki, which had once been our competitor, and set up a new framework to compete in the global arena.

Matsui: In the body parts field, we had often engaged in three-way competition involving Aisin Seiki, Shiroki and other competitors, and each of us had prevailed in the world market.

Ihara: My aim through the integration of management with Shiroki is to consolidate the resources and strengths of both companies and build a competitive force that is more resistant to changes in the business environment. There are considerable overlaps in parts manufactured by the two companies, and we believe it will be best to consolidate the development and production of external and functional parts that require a high level of cost competitiveness, including door frames, window regulators and moldings, into Shiroki in order for us to remain competitive in the world market.

Aisin Seiki, on the other hand, will concentrate on the development and production of its existing system and modular products, such as power sliding doors and sunroofs, and achieve even greater competitiveness. As Shiroki has an excellent capability to develop products, we hope to conduct development activities jointly in the future, while strategically assigning products thus developed to each company.

Matsui: At Shiroki, we were having some difficulty in balancing lighter weight, a factor that is becoming the norm in the technology race and safety of products. We also needed to grow globally but did not have sufficient ability to accelerate overseas business development. Moreover, we had been losing some of our “established” cost competitiveness against...
manufacturers that have grown in emerging countries, becoming no match for them in their home countries. Even worse, we had a heightened sense of crisis that we might lose the battle in the future in our own country. These were the reasons behind our decision to integrate management with Aisin Seiki.

Advantages of Management Integration

Leverage the Strengths of Both Companies and Learn and Grow Together

Ihara: I feel certain that by joining the AISIN Group, Shiroki will overcome the challenges President Matsui has mentioned earlier and will bolster its strengths further.

Matsui: With Shiroki becoming a member of the Group, we can create the best mix of Aisin Seiki’s comprehensive capabilities encompassing outstanding technical competence, a strong commitment to quality and a sense of focus at its production sites and Shiroki’s capabilities related to “simple, streamlined and speedy” operations and low-cost technologies. By turning these capabilities into a new strength of both companies, we can surely compete with mega-suppliers and with competitors in emerging countries.

Ihara: One characteristic of our management integration is that the integration has been carried out with Aisin Seiki and Shiroki standing on an equal footing, while retaining Shiroki’s company name and organization as well as its brands, management structure and employees. Adding Aisin Seiki’s pool of expertise on top of Shiroki’s existing business foundation, we can make the most of our win-win relationship and compete in the best possible circumstances.

The management integration provides advantages for both Aisin Seiki and Shiroki. We can learn from each other and mutually enhance our strengths in various aspects, from development to production and procurement. We intend to forge ahead with the restructuring of our operations in a manner to create synergies while paying due respect to Shiroki’s long-accumulated pride in manufacturing.

Matsui: To that end, Shiroki will pour its energies into external and functional parts, which have been entrusted to us from the AISIN Group, and raise its capabilities as quickly as possible to the expected level.

Ihara: I am confident Shiroki will succeed in that regard. I visited Shiroki’s seven domestic and six overseas locations and am well aware of their potential.

Shiroki’s plants in Japan can be divided into two groups: one dedicated to manufacturing seats and door frames on a large scale and the other engaging in small-lot production of widely ranging products at locations near various automakers’ facilities. I was particularly impressed with the latter group. Producing different products in small quantities surely imposes a challenge in terms of costs, but these plants were handling it very well by using their ingenuity. Their unique ideas, such as concentrated production technology used in production lines, were new to Aisin Seiki and made a strong impression.

Matsui: I also visited all plants of Aisin Seiki producing body parts in and outside of Japan. People everywhere were working together in a congenial atmosphere, feeling very proud of being a member of the AISIN Group and proactively undertaking their assigned tasks.

Also, I was surprised to find that each plant has a clear vision and a sense of focus, and I felt we have much to learn from their attitude. Quality first is their shared goal, but the approach to achieve this differs from plant to plant. One plant is committed to creating superior metal molds, one takes pride in its tooling change skills and another plant is taking bold steps in improving its production technology. We are looking forward to learning and absorbing many things from these plants in order to grow and progress.

What We Envision as a Group

Enhance the Competitiveness and Solution Capabilities across the Entire Group to Become the World’s Top Body Parts Manufacturer

Ihara: The AISIN Group is made up of companies having a high level of expertise, each quickly making decisions and proceeding with business. That has been our distinctive culture, and we had believed it was the best way to win out over the competition. But this way of doing business is no longer effective in the face of increasingly globalized competition. While we encourage major Group companies to independently demonstrate their individual specialized capabilities, we must make sure that all companies move in the same direction. The best way in the future will be to join forces of the Group, including Shiroki, and achieve even greater results together.

Matsui: As we joined the AISIN Group, I felt the need to change ourselves in three aspects. First, Shiroki had been a “follower” in the industry but should now aim for a “leader” position. We need to remain more alert to market trends, customers’ real expectations and business strategies of competitors, decide what to do business-wise on our own and seek and leverage opportunities to propose solutions to customers. Secondly, we will instill the idea of “Quality First,” a basic philosophy of the AISIN Group, in Shiroki and attain improvements both in product quality and work quality. The third change involves overseas business development, which we had not been able to accomplish previously. By utilizing the AISIN Group’s global network, we aim to achieve major growth overseas and contribute to further growth of the AISIN Group.

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We are looking forward to learning and absorbing many things from these plants in order to grow and progress.
In fiscal 2016, together with solidifying our underlying foundation, initiatives were promoted for securing future growth potential.

- Net sales
- Operating income
- Net income
- Number of Group companies
- Number of employees
- Patents held by the AISIN Group
- Environmental conservation costs
- Effects of environmental conservation measures
- Total emissions of CO2 per sales unit
- Waste emissions per sales unit
- VOC emissions per sales unit
During fiscal 2016, when we marked the major milestone of our 50th anniversary, the AISIN Group worked in unison and steadily achieved important results.

1 | Course of Business and Results

Business environment
During fiscal 2016, although the global economy continued to recover steadily thanks to increased personal consumption in North America and Europe, the pace of growth slowed in emerging countries beginning with China. In Japan, the economy recovered owing to such factors as an improvement in corporate earnings and an increase in personal consumption. Despite a decline in unit sales of new cars in some emerging countries, the global auto industry was favorable overall due to growth in the volume of new car sales in the major markets of North America, Europe and China as well as a rise in unit sales of passenger cars in Japan.

Under these conditions, in keeping with our aim of “developing further into a vitally capable company capable of growing continuously,” the AISIN Group promoted a variety of initiatives focused on strengthening competitiveness that included fortifying the Group’s competitive strengths, promoting the development of innovative technologies and reinforcing our monozukuri (manufacturing) capabilities.

Review of business results
In fiscal 2016, net sales amounted to ¥3,243.1 billion (compared with ¥2,964.6 billion in the previous fiscal year) due to an increase in production volume by customer automakers in Japan and overseas. Despite an increase in R&D expenses for future growth and a rise in depreciation and amortization expenses, operating income reached ¥176.4 billion (compared with ¥166.1 billion in the previous fiscal year) as a result of activities for strengthening our profit structure that included promoting cost improvements. Ordinary income amounted to ¥186.8 billion (compared with ¥188.3 billion in the previous fiscal year) and profit attributable to owners of parent was ¥96.9 billion (compared with ¥77.5 billion in the previous fiscal year).

Sales breakdown by product category

<table>
<thead>
<tr>
<th>Product Category</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine related products</td>
<td>¥242.1 billion</td>
<td>7.5%</td>
<td>¥242.1 billion</td>
</tr>
<tr>
<td>Body related products</td>
<td>¥564.4 billion</td>
<td>17.4%</td>
<td>¥564.4 billion</td>
</tr>
<tr>
<td>Brake &amp; chassis related products</td>
<td>¥629.2 billion</td>
<td>19.4%</td>
<td>¥64.4 billion</td>
</tr>
<tr>
<td>Information related products</td>
<td>¥186.2 billion</td>
<td>5.2%</td>
<td>¥186.2 billion</td>
</tr>
<tr>
<td>Other</td>
<td>¥104.7 billion</td>
<td>3.2%</td>
<td>¥104.7 billion</td>
</tr>
<tr>
<td>Total net sales</td>
<td>¥3,199.1 billion</td>
<td>100%</td>
<td>¥3,199.1 billion</td>
</tr>
</tbody>
</table>

Sales breakdown by geographical location

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015 Sales</th>
<th>FY2016 Sales</th>
<th>FY2017 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥1,842.1 billion</td>
<td>56.2%</td>
<td>¥1,842.1 billion</td>
</tr>
<tr>
<td>North America</td>
<td>¥451.1 billion</td>
<td>14.2%</td>
<td>¥451.0 billion</td>
</tr>
<tr>
<td>Europe</td>
<td>¥261.4 billion</td>
<td>8.3%</td>
<td>¥261.3 billion</td>
</tr>
<tr>
<td>China</td>
<td>¥250.5 billion</td>
<td>7.9%</td>
<td>¥250.4 billion</td>
</tr>
</tbody>
</table>

Sales activities
Strengthening activities for expanding sales to overseas automakers
We promoted an expansion in sales to automakers in Europe and emerging countries by taking advantage of our strengths, increasing the breadth and depth of our product lineup and our high quality. In Europe, as in the previous year BMW once again used our FWD 8-speed automatic transmission.

<table>
<thead>
<tr>
<th>Product Category</th>
<th>FY2015 Sales</th>
<th>FY2016 Sales</th>
<th>FY2017 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine related products</td>
<td>¥242.1 billion</td>
<td>7.5%</td>
<td>¥242.1 billion</td>
</tr>
<tr>
<td>Body related products</td>
<td>¥564.4 billion</td>
<td>17.4%</td>
<td>¥564.4 billion</td>
</tr>
<tr>
<td>Brake &amp; chassis related products</td>
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<td>100%</td>
<td>¥3,199.1 billion</td>
</tr>
</tbody>
</table>

Technology Development
We developed a compact, high-efficiency transmission that enhances fuel efficiency. By undertaking a fundamental review of the layout, which included changing the positioning of the motor mounting, we reduced total length by 10% and achieved a loss reduction of 20%.

Environment and Enhanced Fuel Efficiency

<table>
<thead>
<tr>
<th>Technology Development Topic</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of high-function and low-cost Intelligent Parking Assist (IPA) system</td>
<td>Through enhanced space detection precision, the IPA system enables responses to a variety of parking situations that include parking lots with unmarked spaces, parallel parking in narrow areas and parking that requires climbing over curbs and other uneven areas. Also, by reviewing the configuration of the IPA system, we significantly reduced the price of the system.</td>
</tr>
<tr>
<td>Development of advanced driving support system</td>
<td>We are promoting the development of technologies for advanced driving support systems with an emphasis on safety and security based on increased visibility and collision avoidance. We are progressing with the development of a variety of technologies in this field. These include an unconscious driver support system that uses a driver monitoring system to detect when a driver is unable to operate a vehicle after losing consciousness and then safely evacuates the vehicle to the shoulder of the road. Other technologies include a remote-controlled parking system that automatically parks vehicles in accordance with instructions provided from outside the vehicle, including from smartphones.</td>
</tr>
<tr>
<td>Technology development Needs in auto parts are evolving significantly in tandem with a diversification of lifestyles and values and a variety of technology innovations. As these changes unfold, we have deployed the AISIN Group’s wide-ranging resources to promote the development of new technologies based on our key themes of the environment and enhanced fuel efficiency, security and safety, and comfort and convenience.</td>
<td></td>
</tr>
</tbody>
</table>

Security and Safety

Development of high-function and low-cost Intelligent Parking Assist (IPA) system

For details, please refer to pages 9-10 in Message from Top Management.

<table>
<thead>
<tr>
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<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

For details, please refer to pages 22-23 in Group highlight.

Sales of 4WD unit

The electric 4WD unit is fitted on the Toyota E-Four Prius.

The grille shutter reduces air resistance through a rectifying effect under the floor. It also automatically opens the front shutter and cools the engine when the temperature of the engine cooling water is high; it closes the shutter and warms up the engine when the temperature of the cooling water is low.

For details, please refer to pages 9-10 in Message from Top Management.
transmission in its new model vehicles. We also commenced business with Daimler for brake calipers. In emerging countries, Mahindra & Mahindra Limited of India adopted our FWD 6-speed automatic transmission and sunroof.

Strengthening our global production structure
We strengthened the production structure of each Group company to respond to growing demand globally. New companies established by ADVICS in Mexico, Brazil, the Czech Republic and South Africa began production of brake parts. Aisin Chemical increased and strengthened production capacity in the United States and China and commenced construction of a new plant in Thailand in preparation for an expansion of sales of wet friction materials. Meanwhile, Aisin Takacsa established a new company in Mexico for producing chassis parts such as disc rotors while Aisin Seiki established a new company in Mexico for manufacturing such body parts as door handles.

Reinforcing our management foundation
As our business extends across the globe, solidifying the foundation of our corporate management is a major prerequisite to prevent disasters and accidents, as well as to carry out environmental protection activities, such as reducing CO2 emissions and waste materials, and thoroughly implement compliance. With “Quality First” as our basis, we will provide work energetically and demonstrate his or her creativity and self-initiative regardless of nationality, gender or age.

These tasks are not something that can be attained overnight. In keeping with the slogan “Do what you want to do to make tomorrow better,” all employees will share goals and take on new challenges as we aim to be a “vibrant company that possesses true competitiveness and proposes new value.”

ENE-FARM TYPE S fuel cell cogeneration system for residential use undergoes model change
We thoroughly reviewed the materials and equipment specifications to realize the industry’s highest generating efficiency and smallest equipment body while significantly reducing cost. The smaller size of the equipment body has reduced limitations on installation space, which enables installation in condominiums and other types of multi-dwelling housing complexes.

Initiatives for raising recognition levels for the ASLEEP brand
We aim to realize a strong profit structure that can also endure harsh operating environments, and to do so, we are working to strengthen the competitiveness of our existing products, which constitute the bedrock of our business operations. As we strive for efficient business development with established priorities for geographic regions, customers and products, we are promoting reforms to our manufacturing that integrate design, production technologies, plants and procurement. These efforts include pursuing the creation of original technologies, raising productivity and improving output levels, and carrying out bundled procurement. Additionally, we will work to realize appropriate fixed costs such as development expenses, capital investment and personnel expenses from a company-wide perspective.

The AISIN Group will address the following four issues aimed at achieving continuous growth and increasing corporate value.

1. Strengthen Group competitiveness
Our recent business restructurings are just at the starting point. In the future, Group companies will share their orientations and leverage each company’s strengths and distinctive features while striving to establish true competitiveness for competing globally. Specifically, using the recent business restructurings as a basis, we aim to firmly reap such positive results as strengthened cost competitiveness through increased business efficiency and an expansion in business through improved product appeal. In conjunction, we will build an efficient structure for increased production that maximizes the resources of Group companies as we expand the automatic transmission business that supports AISIN’s company framework.

Moreover, from the perspective of optimizing the entire Group, we will promote both business and management reforms that include building business strategies, emphasizing the priority allocation of resources and streamlining administrative sections.

2. Strengthen the competitiveness of existing products
As our business extends across the globe, solidifying the foundation of our corporate management is a major prerequisite for achieving continuous growth through business activities deeply rooted in each region. Therefore, we will make unprecedented efforts to create safer workplaces, beginning with the prevention of disasters and accidents, as well as to carry out environmental protection activities, such as reducing CO2 emissions and waste materials, and thoroughly implement compliance. With “Quality First” as our basis, we will provide reliable quality in accordance with the ways customers use our products in countries worldwide. Leverage all our corporate activities as a base, we will foster a corporate culture in which each and every employee can work energetically and demonstrate his or her creativity and self-initiative regardless of nationality, gender or age.

These tasks are not something that can be attained overnight. In keeping with the slogan “Do what you want to do to make tomorrow better,” all employees will share goals and energetically take on new challenges as we aim to be a “vibrant company that possesses true competitiveness and proposes new value.”
Taking on the Challenge of Developing the World’s Best Products

Development of Electric 4WD Unit through Strengthened Group Collaboration

Aisin Seiki, Aisin AW and Aisin AI have collaborated in the joint development of an electric 4WD unit. This drive unit is installed in the new model E-Four Prius, which is earning praise for being a dependable “Lifestyle 4WD” as well as a “4WD usable for ordinary driving” in areas with heavy snowfall and cold weather. Through the advanced integration of their unique, combined technologies the three companies successfully developed this compact, lightweight and low-cost unit. Moreover, the quick progress and commercialization of this unit has significantly broadened the possibilities for group-wide collaboration.

Electric 4WD Unit Represents a New Concept in Four-Wheel Drive

In January 2016, efforts to strengthen collaboration within the AISIN Group led to a major breakthrough when three companies—Aisin Seiki, Aisin AW (AW) and Aisin AI (AI)—jointly developed an electric 4WD unit. In contrast to conventional 4WDs used for extreme driving in mountainous regions and on rough roads, this electric 4WD unit was developed based on a new concept of providing safe and comfortable driving by activating when the vehicle starts to move forward in areas with heavy snowfall and cold weather and for low-speed driving on extreme grades.

The new electric 4WD unit has three main features. First, the motor and differential gear are installed in the same axial line, and a two-axis structure with a reduction gear has been adopted to realize a compact unit. Second, to completely eliminate drag resistance when operating with front-wheel drive, a rear-wheel drive induction motor with no permanent magnetic force was adopted to cut energy loss when operating using front-wheel drive. Third, we adopted a new structure that can reduce oil-stirring loss caused by the rotation of the gears and motor inside the unit. These features contributed to the successful debut of the new-model E-Four Prius that pursues high fuel efficiency and comfort despite being a 4WD vehicle.

In undertaking the collaborative effort, Aisin Seiki handled the development project coordination and the housing that encases the unit, AW was responsible for the induction motor and AI handled the reduction gears. Yuki Tojima of Aisin Seiki’s Powertrain Products Division, Powertrain Systems Development Department explains the efforts required during development to solve several difficult issues, noting, “We sought to ensure the safety of a 4WD vehicle operating on snow-covered roads and frozen road surfaces during winter while raising fuel efficiency and curbing costs during other seasons.” Yoshihisa Yamamoto of AW’s Technology Division comments: “AW is well known as a manufacturer of automatic transmissions. Besides these products, the experiences gained from our collaboration to the present.”

Three Companies Share Goals and Passion and Leverage Their Strengths

The three companies began joint-development efforts in March 2011. Reflecting back on that time, Yamamoto recalls: “A new technology center was completed at AW, which happens to be situated midway between the three companies. To undertake joint-development projects, we set up a structure enabling engineers from all three companies to be permanently stationed at the center. With the establishment of this structure, along with focusing on technologies, we were able to proceed with development as we shared our goals and passion.”

This project skillfully blended the features and strengths of the technologies of the three companies and proceeded smoothly. “Although AW was able to fully leverage its strengths in motor development and production, AI’s manual transmission technologies and its unique ideas, which we ourselves lacked, in fact helped us immensely,” Yamamoto explains. “Induction motors represented an entirely new challenge for us and successfully developing a compact high-performance induction motor has instilled us with confidence.”

Fukuhara notes, “In developing two-shaft parallel gears, we are currently using mass-produced parts and processing methods to reduce costs, and I’m also proud that we contributed to the realization of quietness and successful evaluation tests.”

We were able to simultaneously proceed with the development of the entire unit and individual parts as well as undertake reviews and adjustments and this contributed to shortening development times and lowering costs,” Tojima proudly points out. “Even though all three companies had an abundance of unique attributes, I think it’s truly meaningful that we were able to undertake the project smoothly in a variety of areas utilizing our goals and passion.”

The successful completion of the project, which focused on the trend toward electrification technologies in powertrains and on system products rather than separate components, will surely provide a major incentive for engineers who are currently strengthening competitiveness at the three companies and at other companies throughout the Group. Other Group development bases spanning regions across the world also expected to proceed with the development of a number of products recognized by customers.

The electric 4WD unit has contributed to the creation of new appeal to the latest-model Prius. We will accelerate efforts to solidify collaboration within the AISIN Group and expect that further growth and development will be a symbol for the integration of technological strengths.

Yuichi Fukuhara
Technical Administrative Managing Department
Aisin AW Co., Ltd.
The AISIN Group places importance on developing fair and highly transparent management activities and is striving to strengthen organizational governance as a corporate citizen trusted by all stakeholders.

CSR Management

AISIN Group CSR activities contributing to the sustainable development of society and the earth

We believe that CSR is an essential aspect of corporate governance as the cornerstone that underpins the stable long-term growth of the AISIN Group. To put that into practice, we have established the AISIN Group Principles of Corporate Behavior, outlining our commitment to the sustainable development of society and the earth as a whole, and to developing and maintaining sound relationships with all of our stakeholders. These principles form the basis for a wider range of CSR activities. We also extend these principles not only in Japan but also to overseas Group companies in light of the circumstances in respective countries and regions.

The AISIN Group Principles of Corporate Behavior are introduced via the AISIN Group CSR website.

Principles of Corporate Behavior

Aiming to Become an Irreplaceable Global Partner

The AISIN Group strategically develops corporate activities in accordance with its Principles of Corporate Behavior, the code of conduct established in January 2010, as a means of fulfilling its Corporate Social Responsibility (CSR). Initiatives are also being carried out under the AISIN Way, established in April 2007, which conveys the values and behavioral principles to be shared among current and future AISIN generations.

Additionally, under the AISIN Group VISION 2020 formulated in April 2012, we aspire to become “a role model of CSR around the world” by implementing and promoting initiatives and establishing specific action plans.

To further promote management that emphasizes CSR, AISIN Group Report 2016 incorporated reporting that draws upon the seven core themes of ISO 26000, an international standard that provides guidance on the social responsibility of organizations.

Corporate Principles Based on “Quality First”

1. Safety and Quality
2. Compliance
3. Disclosure of Information/Communication
4. Human Rights and Labor
5. Environment
6. Corporate Citizenship Activities
7. Top Management Leadership

Corporate Activities (Execution of work duties)

To implement corporate principles through education and enlightenment

The AISIN Group has formulated and is promoting the Guidelines in Compliance with Social Responsibility to provide concrete behavioral standards for all employees to fulfill the AISIN Group Principles of Corporate Behavior. These guidelines have a Q&A section for each of the seven principles defined under the AISIN Group Principles of Corporate Behavior, namely Safety and Quality, Compliance, Disclosure of Information and Communication, Human Rights and Labor, Environment, Corporate Citizenship Activities and Top Management Leadership. This document serves to ensure that these principles are both easily understood and accessible in a booklet that is distributed to all employees.

Additionally, to promote employees’ awareness of CSR and encourage business practices with CSR in mind, training (for employees) and management training (for managers) are conducted as part of rank-specific training programs. Training for members of top management is also conducted at overseas locations, instilling an understanding of the AISIN Way and further promoting CSR activities globally.

Establishing committees to promote CSR activities

The AISIN Group has also established committees within AISIN Seiki tasked with addressing the interests and concerns of all stakeholders, including the Business Ethics Committee, the Risk Management Committee, the Company-wide Environmental Committee, the Export Trade Control Committee and the Central Safety and Health Committee.

These committees monitor activities inside the Group in accordance with their respective topics and report on the results to the Board of Directors in seeking to improve relevant corporate activities.
Corporate Governance

Aiming to operate with fairness and transparency

Aisin Seiki strives to develop amicable relations with all stakeholders amid its steady growth and expansion over the long term in order to maximize its corporate value. To achieve that, we believe that maintaining fair and highly transparent management activities is of paramount importance in our role as a good corporate citizen trusted by the international community. We are committed to enhancing corporate governance through measures such as appointing three outside directors and actively complying with the Corporate Governance Code, which the Tokyo Stock Exchange has brought into effect as part of a long-term strategic initiative implemented by the Japanese government.

System

Aisin Seiki has adopted the Audit & Supervisory Board system and has established a General Meeting of Shareholders, Board of Directors and Audit & Supervisory Board as statutory bodies.

Board of Directors

The Board of Directors meets once a month and is responsible for overseeing the execution of business operations and passing resolutions on important management matters.

Audit & Supervisory Board

The Audit & Supervisory Board is comprised of five members, including three external Audit & Supervisory Board members. Together with monitoring the execution of duties by directors, Audit & Supervisory Board members monitor the status of affairs in respective business divisions to ensure that management and the execution of business operations are being carried out properly.

Global audits and risk management

The Aisin Group identifies risks that could have a serious impact on its corporate operations. Group companies collaborate globally to strengthen the risk management system and enhance measures to prevent risks from materializing. The goal is to create a company with a strong resistance to risk.

In response to the rapid globalization of business, we convene the Managing Officers Conference, comprised of auditors and risk management officers from the six core Group companies. Initiatives are led by the Enterprise Risk Management (ERM) Department as the supervisory department in charge of auditing and risk management. The ERM Department confirms risks and issues that are common throughout the Aisin Group. Information is shared to ensure that countermeasures are effectively implemented. Aisin also regularly convenes the Practical Business Conference and the Liaison Conference consisting of persons in charge of auditing and risk management at the 13 main Group companies including Shiroki Corporation from fiscal 2017, as we work to improve and standardize our capabilities in this area.

Looking ahead, Aisin Seiki intends to further encourage cooperation within the Group and undertake integrated activities that combine auditing and risk management steadily and from a global perspective.

Dialogue with Stakeholders

Promoting CSR management through dialogue with stakeholders

The Aisin Group promotes CSR activities by placing an emphasis on dialogue with our stakeholders, including customers, shareholders and investors, suppliers, employees and local communities.

Example of Aisin Seiki

Customers

Main contact point: Customer Support Department

Through its Customer Support Department, Aisin Seiki strives to respond promptly, accurately and politely to customer inquiries regarding its lifestyle related products, including sewing machines and beds.

Shareholders and Investors

Main contact point: Finance & Costing Department

In addition to holding presentations on business performance and the announcement of financial results on a quarterly basis, we appropriately respond to individual interviews in a timely manner. Presentations on business results are also held for overseas investors in respective regions in Europe, North America and Asia.

Suppliers

Main contact point: Purchasing Planning & Administration Department, Materials & Machinery Purchasing Department, Purchasing Group of Planning Department in respective product divisions

In order to promote collaboration with suppliers throughout the Group, the six core Group companies take a lead and hold a New Year’s party, technical exchange meetings and other gatherings.

Employees

Main contact point: Human Resources Management Department

Effective communication is promoted at respective workplaces based on reporting and consultation in daily operations and meetings. We value the input and opinions of all employees and have implemented measures such as rank-based meetings, workplace interviews with supervisors and subordinates and an employee awareness survey to better gauge their feedback. Newsletters are also issued as a key means of disseminating information to employees and their families.

Local communities

Main contact point: General Administration Department

We are developing community-based social contribution activities unique to the Aisin Group at locations in Japan and overseas.
Respect for Human Rights

Basic policy regarding respect for human rights

Under the AISIN Group Principles of Corporate Behavior, we established the basic policy of respecting employees’ human rights: "We respect the character, individuality and diversity of our employees and provide a safe, enjoyable and productive work environment in order to help them achieve a balanced and fulfilling life.” Additionally, the AISIN Way clarifies values and behavioral principles to be shared among the Group that are timeless and global. Furthermore, the Guidelines in Compliance with Social Responsibility provide specific behavioral principles so that all Group employees may realize the principles of corporate behavior. They also indicate appropriate examples of behavior with regard to human rights and labor by making clear statements prohibiting forced labor and child labor, thereby establishing action guidelines that are essential for developing businesses on a global basis.

Education on respect for human rights

In addition to respecting employees’ basic human rights, the AISIN Group conducts human rights education on various occasions, affording employees the ability to take actions. Human rights, particularly fair hiring practices and assurance of equality, must be taken into consideration in all aspects of corporate activities.

In fiscal 2016, Group companies participated in the largest training seminar on human rights in Aichi Prefecture. Hosted by Aisin Seki, the seminar included a lecture on fair recruitment practices, given by an official of the Aichi Labor Bureau. Through these efforts, the entire Group worked to increase its awareness of fair hiring practices and respect for human rights.

As one of our rank-specific training initiatives, we provide human rights training for employees at various stages of their careers, including when they enter the company and when they receive job promotions, ensuring a continual focus on and awareness of respect for human rights.

Activities from a CSR perspective

In order for the AISIN Group to provide stable employment, we have created a packaged manual that standardizes the AISIN Group’s basic stance and systems concerning personnel and labor affairs. By globally promoting the formulation of measures based on this manual and on laws and regulations of respective countries and regions, we are striving to reduce related risks and build sound labor-management relations.

Human Resources Development

Supporting the growth of each person by respecting individuality

At the AISIN Group, we are committed to developing human resources who are capable of viewing matters from a broad perspective and possess the diverse range of values needed to play an active role globally irrespective of gender, nationality or age. For example, we have set out educational programs and provide education and training based on the AISIN Way, which emphasizes respect for the individuality of our employees so that they can make the most of their abilities, as stated in our Guidelines in Compliance with Social Responsibility. To ensure that employees continue to find their work rewarding, we also implement initiatives such as devising suitable career plans for each individual and expanding areas of activity.

Development of global human resources

We are continuing to accelerate global human resources development in line with the AISIN Group’s rapidly expanding global business. We are promoting three separate initiatives at Aisin Seki, specifically top management training for local personnel aiming to secure management or executive positions at AISIN locations around the world; an overseas employee exchange system designed to develop young local employees at AISIN locations around the world; and a training program aimed at assigning young employees in Japan to overseas locations so that they can gain skills through on-the-job training (OJT).

Stable Employment

Basic stance

In order for the AISIN Group to provide stable employment, we need to become and remain a corporate group that is valued by society. We believe that each and every employee’s active participation and personal growth will contribute to our achieving sound and sustainable business growth, which in turn will lead to stable employment over the long term.

Overseas employee exchange system

We accept local personnel from other countries for a period of one year, with the aim of improving the operational capabilities of young key employees at overseas subsidiaries, particularly in emerging countries, and promoting internationalization among employees working at the head office. We accepted 16 staff, including 15 from China, India and Thailand, and one additionally from Mexico in fiscal 2016, and are planning to accept 25 staff in fiscal 2017.

Overseas training program for young employees

Aimed at developing Japanese employees capable of playing a key role across borders, this program overseas business experience based on OJT. We assigned 17 employees to this program in fiscal 2016 and are planning to assign 30 employees in fiscal 2017.

I was sent to Aisin Automotive Ltda. in Brazil and engaged in many operations other than those of my own. This helped me expand my view. After returning home, I have more opportunities to deal with overseas counterparts, and the experience has allowed me to work from a more global perspective, respecting the other parties’ culture and common practices.

Nurturing technical personnel in the Group

We continue to work together to strengthen educational capabilities for local technical personnel throughout the AISIN Group and in line with global expansion. At the Aisin Technical Academy, an in-house, live-in training institute to cultivate future leaders of manufacturing operations, staff members who have entered the AISIN Group in Japan and trainees dispatched from overseas take a year of study to increase their practical technical skills. Trainees from 24 locations in 10 countries have graduated from the academy and are playing key roles at overseas subsidiaries in supervisory or technical capacities. In fiscal 2016, 30 trainees from China, Taiwan, Indonesia, Thailand, Mexico, the United States,
Quality Learning Zone
We intend to raise quality awareness and improve work quality by encouraging employees to learn our past approaches to attaining “Quality First,” as stipulated in our corporate principles, and by continuing to pass on lessons learned from past product defects as an important asset.

Safety Learning Zone
Using example cases of past work accidents, we nurture human resources who have high safety sensitivity and can protect themselves and their co-workers.

Fire Prevention Learning Zone
A fire that occurred in the Kariya Plant of Aisin Seiki in 1997 caused destruction and inconvenience. We foster awareness for fire prevention and safety initiatives in order to prevent future fire emergen-
cies or similar disasters.

Passing on knowledge and skills
required of production staff
Previously, the knowledge and skills specific to each workplace had been conveyed in the form of “implicit” knowledge passed on to supervisors from their predecessors and depended heavily on their individual experiences and discretion. Different workplace culture and skill levels of supervisors had caused quality, cost and delivery (QCD) to vary. In seeking to achieve true globalization, we transformed rules that should be observed and actions that should be taken by technical personnel into “explicit” knowledge and started providing Aisin Basic Seminars in 2014. In these seminars, supervisors instil the explicit knowledge in trainees with thorough, on-site guidance, along with ideas behind the knowledge (why certain things must be done). We have thus set up a system and framework to pass on Aisin-style skills and have started implementing the same system and framework to our bases in and outside Japan as well as to Group companies.

Developing vibrant human resources
and workplaces
To develop further into a vital company capable of growing continuously as we look ahead to the next 50 years, the Aisin Group focuses on the development of a pleasant and vibrant workplace culture. As an example, Aisin Seiki holds a management study session every March to raise the capability level of management in each workplace and consequently develop vibrant human resources and workplaces. At the study session, all executive officers and department heads within Aisin Seiki as well as representatives from Group companies and overseas subsidiaries discuss issues in workplaces based on the analysis results of employee awareness surveys. The outcome of the discussion is reflected in activities to invigorate workplaces in the next fiscal year.

Iku Boss Academy initiative to achieve both a comfortable working environment and job satisfaction
At Aisin Seiki, the Kirari Project, a project undertaken with commitment by top management by female employees selected from across the company to promote more active roles for women, is leading efforts to create a more comfortable working environment and better job satisfaction while energetically working to identify issues and countermeasures by collecting feedback and ideas from each workplace.

Iktu Boss Academy
Receiving awards from Aichi prefectural governor Hideaki Omura
Harnessing a Diverse Range of Human Resources

Promotion of diversity
The Aisin Group regards the promotion of diversity as an important management strategy in developing further into a vital global corporate group capable of growing continuously.

In the coming years, more employees, both male and female, will only be able to work in a limited capacity due to nursing care and other reasons in addition to child care.

In enabling employees to demonstrate their capabilities to the fullest in every life stage, we are working to create an appropriate work environment as well as a workplace culture and framework to enable employees to actively take on new challenges in their work. By proactively promoting diversity management, we intend to increase productivity, spur innovation and achieve a level of competitiveness that will allow us to prevail over global competition.

Aisin Seiki has set up a regionally limited training course in Japan for employees in managerial positions to reflect on and encourage a work-life balance. To engage each workplace in the task of promoting diversity, Aisin Seiki has also established the Iku Boss Academy as an additional effort to nurture management-level employees in achieving both a work-life balance and higher productivity.

Promoting more active roles for female employees
To enable female employees to take advantage of career opportunities at Aisin Seiki, and continue working in rewarding positions, we support career development and work-life balance.

Iktu Boss Academy
Receiving awards from Aichi prefectural governor Hideaki Omura
Activities of the Kirari Project, a project to promote more active roles for women, have resulted in the launch of the Iku Boss Academy in September 2015. The academy, established under the idea that supervisors hold the key to success in achieving work-life balance of both male and female subordinates, intends to increase the number of supervisors (“Iku Bosses”) who are supportive of the life and career of each subordinate, capable of improving their own work-life balance and able to attain business performance. It is a one-year, experience-based learning program targeting representatives selected from each functional and product division. “Students” mainly engage in issue-solving activities that encompass management designed to achieve a work-life balance and higher productivity as well as providing support to subordinates’ career development.

Iku-Bosses seek advice from other Iku-Bosses and experts for problems and challenges they encounter in their activities and translate the advice into action. Findings and good practices that have been obtained by repeating this process are disseminated to all managers.

In February 2016, Aisin Seiki received an Aichi Prefecture Family-Friendly Company Award and Aichi Iku Men and Iku Boss Supporting Company Award from the Aichi prefectural government in recognition of Iku-Boss role models and accomplishments in creating a more comfortable working environment.

Iktu Boss Academy
Receiving awards from Aichi prefectural governor Hideaki Omura

Work-life balance support
At the Aisin Group, we provide an environment in which employees can choose from a wide range of work styles according to their individual life stages. We promote initiatives to create an environment that makes it easier for employees to strike a balance between their lives at work and at home. At Aisin Seiki, in particular, we will launch a telecommuting system and short working hour system for family care in fiscal 2017 to further enhance our measures to support employees’ work-life balance and encourage the use of available systems. We are also providing parenting support to male employees and expanding leave options for the purpose of child care as a means of increasing their awareness and engagement in raising children.

Learning lessons from our predecessors
On April 1, 2016, we opened the Aisin Denro-kan (Educational Center), which provides education on quality, safety and fire prevention.

The aim of the center is to encourage employees to learn from our past failures, think about these failures as if they had happened to their task or role and take a lesson to heart that we should not repeat the same mistake. This aim is incorporated into various educational programs to raise employees’ awareness through repeated learning.
Creating a workplace in which persons with disabilities can thrive

On the basis of an approach rooted in the concepts of “normalization and harmonious coexistence,” the AISIN Group is developing a working environment in which persons with disabilities can thrive and work with a sense of satisfaction. We hold regular consultation sessions at each plant to respond to concerns related to work and their daily lives and are actively promoting activities such as improving the workplace environment. The Group holds training sessions for managers and supervisors in the workplace so that they can better understand the situation of and give advice to persons with disabilities. Education and other relevant training are conducted for the workplaces that employ persons with disabilities. We also exchange information as necessary with Group companies. The aim is to work out solutions to current issues and establish an operating structure that includes individual affiliates.

Employment rate of persons with disabilities (Aisin Seiki)

<table>
<thead>
<tr>
<th>Years</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1.95</td>
<td>2.04</td>
<td>2.07</td>
</tr>
<tr>
<td>Female</td>
<td>2.04</td>
<td>2.04</td>
<td>2.08</td>
</tr>
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Legally required employment rate

<table>
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<tr>
<th>Years</th>
<th>FY2012</th>
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<tbody>
<tr>
<td>Legal rate</td>
<td>1.95</td>
<td>2.04</td>
<td>2.07</td>
<td>2.08</td>
</tr>
</tbody>
</table>

Re-employment after retirement

The AISIN Group establishes systems for the re-employment of workers after retirement, including programs for limited hours or days of work, in response to varied requests from retirees. While observing relevant laws and regulations, we re-employ all interested personnel.

The six core Group companies are introducing the Power Up Seminar, which seeks to improve the abilities of employees who wish to be re-employed. This seminar targets all regular employees who have reached the age of 55, which is five years before reaching the retirement age, and is aimed at promoting a widespread understanding of employment systems, identifying individual career paths and strengths and supporting various aspects such as creating individual study plans for the future. We are also working to increase motivation for re-employed individuals through initiatives such as establishing technical legacy coaching sessions aimed at passing on the advanced skills of re-employed individuals and by introducing a new retirement benefit system. Looking ahead, we will undertake an overhaul of our re-employment systems in order to further expand the re-employment of retirees.

Employee Safety and Health

A core principle of placing safety and health above all else

Based on the core principle of placing safety and health above all, the AISIN Group continually strives to enhance the safety and health of all employees.

[Action Plan]
Promotion of workplace environment improvement with the highest priority on safety and health

(Three-Year Growth Phase Policy 2015-2017)
Share the perception throughout the entire AISIN Group that safety and environmental efforts are the keystone of continued business operations of a corporate group.

[FY2016-2018 Company-wide Policy]
Instill safety and environmental awareness and appropriate behavior, and achieve thorough compliance.

Aspiring to be the world’s most-safety-conscious corporate group

Fifteen Group companies in Japan* are retaining a frequency rate and severity rate of work accidents that is well below the national average for the industry.

In fiscal 2016, we continued to work on activities aimed at eliminating hazards by reviewing serious accidents in the past, including cases where employees were caught between or in machinery, and by performing on-site inspections to confirm that countermeasures have been fully implemented and maintained.

In 2015, following a serious accident involving a supplier, which occurred in July at a plant of the AISIN Group, we started a new initiative to eliminate serious accidents in plants, while extending its scope from employees outside to contractors, material suppliers and on-site subcontractors.

The AISIN Group aspires to be the safest corporate group in the world, and to firmly establish a safety culture, will promote relevant occupational health and safety activities by further improving education, training and activities to enhance awareness.

Achieving zero work accidents

We have had a standard safety slogan in place across the entire AISIN Group since fiscal 2014: “Follow the guidelines, protect yourselves and protect your co-workers.” In fiscal 2016, we dedicated July 1 as the first day of Safety Week and as the date for the ALL AISIN Safety Declaration, in which we organized activities aimed at raising safety awareness throughout the Group and...
simultaneously appealed to employees at our 12 main Group companies to comply with safety requirements.

**Initiatives at respective companies and regions**

The 12 main Group companies have been developing Kodoveru ("commission") activities toward improving safety and health suited to the characteristics of each company to eliminate accidents through STOP 6*. As part of our activities at overseas locations, in 2015 we established the China Safety and Environmental Specialist Liaison Committee consisting of employees engaging in safety and environmental activities in the China region. Efforts have been facilitated as we commenced integrated activities throughout the region by implementing priority tasks and exchanging information through the committee.

**From 2016 and beyond, we will set up similar organizations in each country in Oceania and South America and facilitate locally rooted safety and health activities on a global scale.**

Among affiliated companies other than the 12 main Group companies, we have also formed the AISIN Affiliated Company Consolidated Safety and Health Liaison Committee, and its membership has increased from 14 companies up until 2014 to 20* in 2015. In fiscal 2016, the committee focused on activities designed to eliminate hazards that could cause serious accidents, such as employees getting stuck or caught in equipment.

<table>
<thead>
<tr>
<th>Activity Details of 12 Main Group Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aisin Seiki</strong> Eliminate accidents involving anyone working on premises. Roll out safety activities, encompassing employees as well as outside contractors, material suppliers and on-site subcontractors, to identify tasks prone to accidents and promote communications.</td>
</tr>
<tr>
<td><strong>Aisin Takada</strong> Prevent accidents through comprehensive and targeted efforts. Use moveable fences as a means of preventing a fall into melting furnaces and reduce overall risks through process isolation. Compile points to be kept in mind in preventing employees from getting stuck or caught in equipment into the 12 Basic Rules of Safety and undertake activities to enable each employee to understand the background and meaning of each key point and act accordingly. Organize the Aisin Takada Safety and Health Cooperation Committee among about 100 outside contractors, transportation companies and on-site subcontractors and mutually upgrade safety activities to prevent accidents in plants.</td>
</tr>
<tr>
<td><strong>Aisin Chemical</strong> Reducing risks in back-office departments and of non-work related accidents. Conduct a monthly AC roll-call campaign; identify sources of equipment-related hazards in response to the occurrence of a non-work related accident; identify sources of hazards in other departments and implement countermeasures; deploy a lock-up and emergency stop device to prevent equipment activation by third parties; complete the installation of the device in main control panels of 687 equipment; and conduct two training sessions on emergency shutdown procedures in production lines of Aisin Chemical products.</td>
</tr>
<tr>
<td><strong>Aisin AW</strong> Launching a plan to cultivate safety-oriented culture. Have an external agency perform a safety diagnosis to clarify the strengths and weaknesses of Aisin AW and initiate a plan toward building a safety-first corporate culture.</td>
</tr>
<tr>
<td><strong>Aisin Kikko</strong> Developing safety-conscious personnel, implementing thorough improvements. Develop safety-conscious personnel and implement thorough improvements, mainly through prevention of similar accidents by identifying issues in each past accident and by leveraging safety patrols, mutual checks in the workplace and increased communications.</td>
</tr>
<tr>
<td><strong>Aisin AI</strong> Working to eliminate similar accidents. Eliminate accidents during the handling of equipment failures or other irregularities by encouraging employees to take 10 seconds to predict hazards before initiating irregularity handling procedures, providing training on warning calls in joint tasks and performing practical-level skill evaluations.</td>
</tr>
<tr>
<td><strong>Aisin Shin’ei</strong> Re-acknowledging that “safety first” is the company’s top priority and policy. Perform a monthly safety patrol by top management of all on-site operations (by employees, outside contractors, subcontractors and suppliers) to confirm the safety status of each plant. Check actual procedures for hazards in order to encourage employees to understand the seriousness of safety-related issues. Accelerate improvements and become a company with zero accidents where everyone can work within a safe environment and with a secure level of safety.</td>
</tr>
<tr>
<td><strong>Aisin AW Industries</strong> Three-year safety promotion activities for creating a safety-first culture. Ensure the safety of equipment (by conducting risk assessments as early as from the design stage), create a workplace in which employees freely voice their opinions (by utilizing a communication board) and foster personnel who can observe rules (through increased safety awareness by thoroughly conducting emergency shutdown procedures).</td>
</tr>
<tr>
<td><strong>Hosei Brake Industry</strong> Creating a safety-first culture through workplace improvements. Create a safety-first culture through workplace improvements mainly by increasing safety education to management-level employees and relevant departments, and by means of safety patrols.</td>
</tr>
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</table>

**Case report**

From 2016 and beyond, we will set up similar organizations in each country in Oceania and South America and facilitate locally rooted safety and health activities on a global scale. Among affiliated companies other than the 12 main Group companies, we have also formed the AISIN Affiliated Company Consolidated Safety and Health Liaison Committee, and its membership has increased from 14 companies up until 2014 to 20* in 2015. In fiscal 2016, the committee focused on activities designed to eliminate hazards that could cause serious accidents, such as employees getting stuck or caught in equipment.

*1 STOP 6: Six worst causes of serious accidents in the Toyota Group
(1. caught between machinery, 2. contact with heavy objects, 3. contact with vehicles, 4. falls, 5. electrocution, 6. contact with high temperature objects)

Four areas of evolution and priority policy items with a view to 2050

The AISIN Group seeks by 2050 evolution aimed at achieving zero CO2 emissions over the entire life cycle of products, from production and use to waste disposal. By doing so, we believe that it is possible to establish a sustainable society in which people live in harmony with the global environment. The AISIN Group is prepared to mobilize all its business resources to help establish such a society.

For evolution aimed at achieving zero environmental impact, we will make effective use of resources and promote recycling as before, and we will also begin activities for using precious water resources to mitigate increasing global risks posed in particular by water shortages and water contamination.

For evolution aimed at promoting harmony with nature, we will further expand and link activities that we have been implementing, including ecosystem protection, preservation of rare species, tree-planting, study of living creatures and environmental learning together with local communities and Group companies.

For evolution aimed at globalizing management and communication, we will enhance cooperation within the AISIN Group on a global basis and deepen communication with customers and local communities in an effort to raise our level of environmental management.

Environmental Policy

AISIN Consolidated Environmental Policy

In order to realize AISIN’s business ideals, which are based on “Quality First,” our approach is rooted in how we can benefit society and our customers, making constant improvements and placing importance on each individual. Through business activities centering on MONGUOKURI (manufacturing expertise in value-added products), we contribute to the creation of a sustainable society in which people can coexist in harmony with the environment far into the future.

1. Establish annual policies based on a long-term vision and carry out continuous improvement and periodical review of the environmental management system toward achieving targeted objectives all over the world.
2. Promote efficient environmental management linking to original operations, through the sharing of information with the government, customers, local communities, suppliers and our employees, as well as cooperation with consolidated companies.
3. Promote innovative technology, enrichment of facilities, greater and more enlightened training and awareness by investing adequate management resources.
4. Promote the development of new earth-friendly products and technologies that take life cycle into account as well as environment-friendly manufacturing.
5. In addition to conformity with international standards, laws and regulations and pollution control agreements stipulated by respective countries, establish voluntary standards in an effort to prevent pollution.
6. Minimize usage and waste through resource and energy savings, procurement of materials with minimal environmental impact, logistics streamlining and expansion of recycling activities and other initiatives.
7. Promote global nature and environmental conservation activities.

We are undertaking initiatives in environmental management by ensuring the full awareness and understanding of this policy among all our employees working at business sites worldwide, along with actively disclosing the status of such activities.

Long-term perspective toward 2050

The AISIN Group has formulated its Sixth AISIN Consolidated Environmental Action Plan, providing environmental action guidelines for the period between fiscal 2017 and fiscal 2021 in order to promote actions from a long-term perspective toward 2050. We have set priority environmental policy items, specific measures to be implemented and environmental goals in different fields based on the four environmental axes* adopted under the fifth action plan, with the intention of evolving them into a comprehensive management system.
Environmental axes: Evolution, Measures, Implementation items, goals

- Development of auto parts for clean-energy vehicles (PHV and FC)
- Reduction of CO₂ emissions through daily improvement activities and introduction of energy-saving technologies, and all-out efforts to reduce energy loss through the utilization of waste heat and prevention of leakage of such heat
- Promotion of the development of environmentally friendly products (buildings, household goods, etc.) that reflect the characteristics of each business field, and acceleration of development of such products
- Establishment of an “AISIN clean-energy factory” and its operation
- Development of environmentally friendly products (buildings, household goods, etc.)
- Application of life cycle assessment (LCA), which evaluates the environmental performance of products at all stages, from manufacturing and use to disposal
- Establishment of a global “horizontal” system to obtain information on abnormal environmental situations
- Promotion of CO₂ reduction through daily improvement activities and introduction of energy-saving technologies, and all-out efforts to reduce energy loss through the utilization of waste heat and prevention of leakage of such heat

Scope of business operations (Covered by reduction efforts)

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- Formulation of a roadmap for applying a clean-energy system to overseas factories
- Setting of communication guidelines by the AISIN Group regarding the environment
- Joint transportation, improvement of load rate and expanded use of transportation means with less environmental impact
- Grasping of situation regarding distribution-related CO₂ emissions in each country
- Introduction of innovative energy-saving technologies and use of renewable energy sources at model factories
- Formulation of a roadmap for applying a clean-energy system to overseas factories
- Promotion of recycling of resources in production and distribution, and consequent reduction of the use of resources

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- Development of recycling technologies to be applied to all AISIN Group companies and promotion of such technologies
- Reduction of use of packaging materials
- Application of waste-reducing technologies and technologies used domestically to global operations
- Development and introduction of technologies to reduce consumption of water resources and recycling, reusing and reusing waste/used/waste recycling technologies

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- Development of auto parts for clean-energy vehicles (PHV and FC)
- Development of high-performance powertrains and technologies to increase fuel efficiency by making car bodies lighter
- Development of next-generation energy systems (use of fuel cells and biokraft)
- Development of environmentally friendly products (buildings, household goods, etc.) that reflect the characteristics of each business field, and acceleration of development of such products
- All-out efforts to prevent abnormal environmental situations
- Reduction from production of hazardous chemical substances by 20% over the figures by each company FY2016

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- Application of energy-saving technologies introduced at domestic business offices to global offices
- Promotion of activities to enhance awareness of the environment
- Ring fence effort to protect and protect endangered species
- Promotion of biodiversity activities through “Aisin no Mori” forest-making and tree-planting at AISIN factories, and promotion of regional interchange

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- Establishment of a “horizontal” system to obtain information on abnormal environmental situations
- Effective use of metallic resources and promotion of design aimed at improving the safety of water discharge and implementation of such evaluation
- Reduction of use of metallic resources and promotion of design aimed at improving the safety of water discharge and implementation of such evaluation
- Revise the AISIN Group Green Procurement Guidelines
- Complete support of suppliers to help them implement environmental measures through environmental inspections and sharing of relevant information
- Application of energy-saving technologies introduced at domestic business offices to global offices
- Promotion of activities to enhance awareness of the environment
- Promotion and public release of uniform environmental activities at all AISIN business bases in Japan and abroad on various occasions including World Environment Day
- Promotion of activities to enhance awareness of the environment
- Declaration by the AISIN Group to promote environmental activities in the primary business area and efforts to disseminate the Group’s environmental contribution to the general public
- Application of energy-saving technologies introduced at domestic business offices to global offices

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Priority Actions and Results of the Fifth Environmental Action Plan

Environmental target | Function-related and specific actions and goals | FY2012-FY2016 results | Page
--- | --- | --- | ---
Establishment of a Low-carbon Society | Promotion of development/design of products oriented toward a low-carbon society | - Evaluation of screened products based on product certification system (11 products, including a home-use sewing machine, gas heat-pump water heater, hybrid vehicle, new commercial building, new home, MIS, and controllers, between July 2005 and March 2010). | P.43

Establishment of a Recycling-oriented Society | Production-related action examples | - Reduction of VOC emissions by 19.2% on a per sales unit basis at 11 main manufacturing companies in Japan* in fiscal 2016, thus achieving our target. | P.44

Establishment of a Society in Which People Coexist with Nature | Environmental protection activities | - Total CO2 emissions due to transport per sales unit from the Group’s 11 main manufacturing companies in Japan (FY) | P.45

Fundamental activities that cover all themes | Management | - Implementation of proactive environment-related communication | P.45-46

Establishment of a Low-carbon Society

Aiming to contribute to the prevention of global warming

The AISIN Group is committed to preventing global warming and is promoting activities aimed at creating a low-carbon society in the development of product technology, production activities, and shipping.

Establishment of a Low-carbon Society

Targets and results of reducing CO2 emissions

The AISIN Group set the target of a 12% reduction in CO2 emissions per a sales unit basis by fiscal 2016 versus fiscal 2008. In an effort to achieve this target, we established energy supply in conjunction with production and shared action examples from respective companies, particularly in the area of power conservation in production equipment, and factored these components into our reduction plan.

As a result of these initiatives, we reduced CO2 emissions by 19.2% on a per sales unit basis at 11 main manufacturing companies in Japan* in fiscal 2016, thus achieving our target.

* Of the 12 main companies in Japan, refers to the 11 manufacturing companies excluding Auto Development, non-manufacturing company.

Initiatives to reduce CO2 in the product life cycle

AISIN Group companies proactively set themes for CO2 reduction in production lines for fiscal 2016 and worked to make improvements, namely activities aimed at enhancements using energy data and accumulating knowledge on heat in addition to the horizontal deployment of examples of CO2 reduction from each company.

In product design, we conducted assessments of environmental load for over 90% of developed products in each stage of the product life cycle, from the procurement of the raw materials to use through to manufacture, use and disposal. This way, we endeavored to develop products with minimal CO2 emissions.

In terms of reducing CO2 in transportation, we bundled goods from the AISIN Group, particularly for customers far away, expanded joint transportation and enhanced load efficiency, which led to a reduction in the number of trucks needed.

Initiatives in fiscal 2017

The AISIN Group will promote activities toward the achievement of our targets while enhancing energy management amid efforts to expand the scope of our reduction targets globally by 2020.

Group company action highlights

Development of rechargeable lithium-air batteries enabling driving for at least 500km

BMRA Material R&D Co., Ltd., which handles research and development of lithium-ion technologies, has shown that the “ultimate battery” is within reach with the rechargeable lithium-air battery after challenging various technical challenges in collaboration with the state and university. The battery is gaining attention as a post-lithium-ion battery.

Electric vehicles can be driven for 500km with the 100kg battery system, which is thought to be impossible with current mainstream lithium-ion batteries. As such, the energy density of the rechargeable lithium-air battery may soon be on par with gasoline.

Going forward, we will seek to resolve issues related to durability and aim to enhance technology, which will include a review of each component and materials used in the batteries.
Reduction of CO₂ emissions by promoting steamless operations

Aisin AI uses around 6,000 tons of steam a year to heat its facilities. To reduce this, we aim to become totally steam-free as we promote CO₂ reduction in production activities.

Power reduction through downsizing of dissolution-type dust collector

The large dissolution-type dust collector on Aisin Takaoka’s molding line has the ability to collect dust over a wide area, but the long duct leads to significant pressure loss while there is variation in air volume due to damper control. Consequently, dust was being collected at a level of air volume that was beyond requirements. To solve the issue, small idling dust collectors were dispersed near the source of the dust, which meant the large dust collector could be turned off and the duct route simplified. Now dust can be collected using the required level of air volume as required. This resulted in a reduction of 1,060 t-CO₂ for the year.

Establishment of a Recycling-oriented Society

In order to effectively utilize resources supporting a sustainable society

In order to ensure the sustainable use of valuable resources into the future, the AISIN Group promotes product design in a way that minimal waste is generated as a means to conserve resources. At the same time, we are working to recycle and reuse waste generated in the production phase at all manufacturing sites and to maintain zero emissions (zero waste at landfill).

Targets and results in waste reduction

The AISIN Group achieved a 35% reduction in waste in fiscal 2016 after setting a target of a 17% reduction in industrial waste emissions per unit of sales by fiscal 2016 compared with fiscal 2008.

In terms of concrete initiatives, we sought to minimize waste and promote recycling by extending the period between exchanges of waste cleaning liquid emitted from cleaning machines for production equipment and encouraging resource reuse through recovery of different types of cutting fluid from the cutting process.

Challenging BDF power generation

Aisin Seiki has been using biodiesel fuel (BDF) recovered and refined from cooking oil used in the employee dining hall in its commuter buses since 2008. The buses have traveled over 90,000 km using BDF. In light of these results, we started BDF power generation aimed at reducing CO₂ emissions in April 2014.

Although the amount of power we have generated to date is small at 25 kW, we are working on the development of a long-life oil in conjunction with Toyota Central R&D Labs., Inc’s Tribology Lab. In the future, we will expand power generation to 800 kW and reduce CO₂ emissions from BDF power generation.

Activities for fiscal 2016

We have established our own eco-product certification system for Aisin Seiki products that are eco-friendly in an effort to promote environmentally sound product development. In fiscal 2016, we certify the F-series “XAIR II” Gas Heat Pump (GHP) air-conditioner, bringing the number of certified products to 11.

Going forward, we will work to increase eco-products and develop products that are kind to the global environment.

Establishment of a Recycling-oriented Society

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In order to ensure the sustainable use of valuable resources into the future, the AISIN Group promotes product design in a way that minimal waste is generated as a means to conserve resources. At the same time, we are working to recycle and reuse waste generated in the production phase at all manufacturing sites and to maintain zero emissions (zero waste at landfill).

Targets and results in waste reduction

The AISIN Group achieved a 35% reduction in waste in fiscal 2016 after setting a target of a 17% reduction in industrial waste emissions per unit of sales by fiscal 2016 compared with fiscal 2008.

In terms of concrete initiatives, we sought to minimize waste and promote recycling by extending the period between exchanges of waste cleaning liquid emitted from cleaning machines for production equipment and encouraging resource reuse through recovery of different types of cutting fluid from the cutting process.

Challenging BDF power generation

Aisin Seiki has been using biodiesel fuel (BDF) recovered and refined from cooking oil used in the employee dining hall in its commuter buses since 2008. The buses have traveled over 90,000 km using BDF. In light of these results, we started BDF power generation aimed at reducing CO₂ emissions in April 2014.

Although the amount of power we have generated to date is small at 25 kW, we are working on the development of a long-life oil in conjunction with Toyota Central R&D Labs., Inc’s Tribology Lab. In the future, we will expand power generation to 800 kW and reduce CO₂ emissions from BDF power generation.

Activities for fiscal 2016

We have established our own eco-product certification system for Aisin Seiki products that are eco-friendly in an effort to promote environmentally sound product development. In fiscal 2016, we certify the F-series “XAIR II” Gas Heat Pump (GHP) air-conditioner, bringing the number of certified products to 11.

Going forward, we will work to increase eco-products and develop products that are kind to the global environment.

Establishment of a Recycling-oriented Society

In order to effectively utilize resources supporting a sustainable society

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Establishment of a Society in Which People Coexist with Nature

Creating environments where industry, lifestyles and nature coexist in harmony

The AISIN Group is working to strengthen its management system based on the fundamental philosophy of minimizing environmental impact to the extent possible in the stage of product design. In addition, we are aiming to contribute to the protection of biodiversity in local areas around our factories based on a philosophy of harmony with the natural environment in order to build an abundant society.

Targets and results of reducing VOC emissions

The AISIN Group set a target of a 31% reduction in VOC emissions per sales unit by fiscal 2016 versus fiscal 2008 and achieved this target with a 60% reduction in fiscal 2016. Concrete initiatives involved continuing to promote activities such as the anti-scattering of coating as well as the introduction of VOC recovery and removal equipment, which aided in target achievement.

![Image of biotope upon completion](image)

Creating an original aquatic landscape popular with the local people

Aisin Keikinzoku is creating an aquatic “park factory” surrounded by greenery and flowers and centered on a biotope and farm with the aim of bringing the local community closer together and contributing to the region. In fiscal 2016, around 50 employees took part as volunteers in cutting the grass, cultivating the soil and making furrows to build the foundations of the “park factory” in conjunction with local communities.

Fundamental Activities: Environmental Management

Strengthen global environmental management

The AISIN Group has established the AISIN Consolidated Environment Committee, composed of the environmental management officers of the 13 main Group companies in order to respond to environmental laws and regulations that are getting stricter, and to build trust with local communities around the world. The committee is also creating a consolidated system for each region in Japan and overseas centered on each Group company as a means to implement activities.

Establishment of framework for an environmental management system (EMS)

We have undertaken activities under the banner of establishing standards, implementing environmental assessments at consolidated companies and promoting group-wide EMS training to foster internal auditors as the three pillars for strengthening our management system. For the first pillar of establishing standards, we released the third edition of our consolidated EMS manual based on consolidated environmental activities and put it into practice. This prompted the creation of an environmental manual for each company using the same perspective and improvements were made. We have also produced 11 procedural manuals that can be used throughout the Group.

Deployment activities to enhance EMS at locations worldwide

The AISIN Group is formulating environmental standards as targets to achieve that are even stricter than the international environmental standard ISO 14001, and is undertaking actions at all locations to reach the next level in a step-wise manner. Progress is monitored via environmental assessments.

In fiscal 2016, we performed inspections and made improvements on legal compliance and environmental conservation at 65 of 83 applicable locations in Japan, North America, Europe, Asia and elsewhere. As a result, we confirmed that 77 companies had achieved management level B (see the table below), including the companies that achieved this up until last fiscal year.

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>A level that becomes standard in the industry worldwide and superior advanced EMS</td>
</tr>
<tr>
<td>A</td>
<td>A level that becomes standard in the Group</td>
</tr>
<tr>
<td>A+</td>
<td>A level that becomes standard in the Group and has best practices that can help enhance know-how</td>
</tr>
<tr>
<td>B+</td>
<td>A level that becomes standard in the Group and has best practices that can enhance know-how</td>
</tr>
<tr>
<td>B</td>
<td>A level that becomes standard in the Group and has best practices that can enhance know-how</td>
</tr>
<tr>
<td>B-</td>
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</tr>
</tbody>
</table>

Group company department heads meeting

The General Manager of each Group company met to discuss consolidated environment-related issues and also to carry out environmental-related activities.
In terms of environmental assessments, we held discussions with the environmental specialists from each company to help find solutions to specific issues and concerns, which is serving to steadily enhance environmental levels.

Group-wide EMS training has been held every year since 2000 to nurture internal auditors who implement environmental assessments. The training has been given to a total of 2,810 employees to date, which is contributing to a higher level in management in each company.

In fiscal 2017, we will set a new environmental management level to aim for by 2020 and follow up on improvements made at companies that are yet to achieve the target. We will organize the Pan European Environmental Meeting four times a year in order to share information relating to environmental health and safety. The meetings include report on initiatives undertaken by respective companies and confirmation of improvements in plant settings, and this information is used to help prevent accidents and contribute to environmental protection activities.

Organizing environmental health and safety meetings in Europe

As part of the AISIN Group’s activities in Europe, we organize the Pan European Environmental Meeting four times a year in order to share information relating to environmental health and safety. The meetings include reports on initiatives undertaken by respective companies and confirmation of improvements in plant settings, and this information is used to help prevent accidents and contribute to environmental protection activities.

Group company action highlights

Eco discussion with students

Aisin Chemical held an eco discussion for the AISIN Environmental Education Program in January 2016 for fourth graders at the Iino Elementary School in Toyota City, Aichi. The discussion was conducted by local citizens, companies and government to improve the environment following the generation of pollution in Yokkaichi City. Another tour took place at the Kakegawa Electric Power Museum Tera 46, where participants learned about the utilization of the natural environment, resources and energy since the birth of the earth’s energy some 4.6 billion years ago. Adults and children gained an insight into environmental issues and the current state of the natural environment, energy and resources, thereby helping to further stimulate interest in the environment.

Activities related to environmental communication in the AISIN Group

The AISIN Group conducts activities aimed at deepening knowledge related to the environment among employees, their families and other concerned parties, while encouraging them to think more about the environment.

AISIN Group Consolidated Environmental Symposium

The ninth AISIN Group Consolidated Environmental Symposium held in fiscal 2016 concerned the creation of a sustainable society, and approximately 270 Group employees participated. We invited Mr. Tokuj, from Konica Minolta, Inc., which secured first place in the Nikkei Environmental Management Survey in 2014, to discuss environmental activities and environmental management in his company, and Mr. Takashi Kishii, Chairman of E-Keiei Inc. to discuss corporate environmental actions based on the laws of nature. This served as a great opportunity to think together about what the AISIN Group needs to do going forward in terms of corporate actions.

AISIN eco-spot tours

AISIN eco-spot tours were held in August of fiscal 2016. These tours are conducted during the summer holidays so that children can also participate, and this time 18 people from seven families attended. Participants visited the Yokkaichi Pollution and Environmental Museum for Future Awareness, where they learned about the initiatives being jointly undertaken by local citizens, companies and government to improve the environment following the generation of pollution in Yokkaichi City. Another tour took place at the Kakegawa Electric Power Museum Tera 46, where participants learned about the utilization of the natural environment, resources and energy since the birth of the earth’s energy some 4.6 billion years ago. Adults and children gained an insight into environmental issues and the current state of the natural environment, energy and resources, thereby helping to further stimulate interest in the environment.

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The AISIN Group promotes free and fair competition in conducting its business activities in different countries and regions of the world and endeavors to fulfill its social responsibility together with all stakeholders related to its operations.

Compliance

**Declaration of thorough compliance**

We have declared our commitment to thorough compliance on a global scale in the AISIN Group Principles of Corporate Behavior. We have also formulated the Guidelines in Compliance with Social Responsibility to put the philosophy underlying these principles into practice. The guidelines introduce specific laws and regulations to be adhered to during the execution of work duties in an easy-to-understand manner and are provided to all employees. We are also committed to continually reinforcing compliance throughout the Group and have adopted an even tougher stance on key universal issues such as antitrust laws and the prevention of bribery.

**Promoting compliance group-wide**

Each of the 12 main Group companies has established a Business Ethics Committee or a similar committee which is tasked with leading the discussion about matters related to corporate ethics, compliance and policy. Each committee is chaired by a member of top management, such as the vice president, and convenes between one and three times a year.

The 12 main Group companies regularly host the ALL AISIN Legal Affairs Committee comprising compliance function supervisors and the Group Compliance Committee comprising compliance managers. This enables the sharing of information and focus on integrated compliance activities as a Group on a global scale.

**Compliance education and training**

Based on the belief that people are the key to promoting CSR, the AISIN Group provides information on the various laws and regulations through rank-specific education for employees and training for workplace managers and executive officers.

In fiscal 2016, we provided regional compliance training to domestic subsidiaries of the 12 main Group companies, and a total of 64 companies participated in the training. We also held training on antitrust laws, prevention of bribery and prevention of misconduct in the workplace twice for workplace managers and twice for executive officers. In addition, October of each year has been designated as AISIN Group Business Ethics Campaign Month, fostering opportunities for each and every employee to reflect on his or her normal routine and consider business ethics. During fiscal 2016, we created a common compliance textbook for global use and conducted core personnel training in Brazil. In fiscal 2017, we plan to provide this training in North America, Europe, and China.

As another activity under AISIN Group Business Ethics Campaign Month, we conduct a group-wide, all-employee survey on compliance awareness. In fiscal 2016, we once again received around 50,000 responses and were able to confirm that compliance awareness is spreading and increasing in the workplace.

**Building a Company Resilient to Disasters**

In an effort to strengthen our emergency response capabilities, the AISIN Group undertakes education and enlightenment activities to enable each and every employee to take appropriate action in accordance with the Risk Management Guide when risk events occur. This guide stipulates procedures to be followed in ordinary times before a risk occurs and during an emergency (when a risk occurs).

Along with these efforts, we are in the process of formulating an additional Business Continuity Plan (BCP) from a global standpoint and reinforcing the structure to manage this BCP.

Following the 2016 Kumamoto earthquakes, we promptly set up an emergency headquarters and worked jointly with companies in the disaster-affected areas for an early recovery of our production operations. We will pass on the lessons learned in responding to the disaster and make group-wide efforts to build corporate resilience against disasters to the extent possible.

**Strengthening capabilities to respond to a major disaster**

We regard large earthquakes and other major disasters as a significant risk to continuing business and have developed a BCP with a focus on safeguarding people’s lives, providing support to local communities and ensuring an early recovery to bolster our disaster response capabilities.

For the purpose of refining our BCPs as a Group, in fiscal 2015 we formulated guidelines to clearly define matters to be covered under a BCP, the order of priority and targeted response levels.

From a viewpoint of safeguarding people’s lives and ensuring an early recovery, we are systematically making disaster mitigation efforts to prevent or reduce risks and implementing measures mainly in terms of “hardware,” including adding earthquake resistance to corporate buildings, facilities and equipment.

As an initiative to enhance our initial response, we place particular emphasis on training to improve skills of employees who will play a crucial role in emergency response. Under our simulation drills designed to ensure employees’ smooth action in real-world scenarios, we provide training on 24 topics, including effective evacuation, initial measures (putting out fires, rescuing people, administering first aid) and procedures to assess and determine if plant buildings are safe to use after an earthquake. Besides these simulation drills, we carried out emergency headquarters training to nurture the ability to collect and share information and make the right decisions in a disaster and to strengthen overall disaster response capabilities.

In order to ensure the steady execution of an initial response when there are disruptions in infrastructure services, we are increasing our disaster preparedness by stockpiling food and water and maintaining satellite phones and other required equipment and supplies.

In supporting local communities in the event of a disaster, we have concluded emergency relief agreements with related local authorities, and each base in the AISIN Group will provide necessary shelter and supplies.

Finally, to enable Group companies to collaborate in...
these endeavors, we encourage joint training, personal exchanges, mutual provision of supplies and setting up a structure to share damage information among Group companies that operate sites within the same area.

Relationship with Suppliers

A good business partner seeking mutual prosperity

As part of its manufacturing activities, the AISIN Group procures a wide variety of parts and materials from numerous suppliers around the world. The basic philosophy behind our procurement activities aims to establish trusting relationships with our suppliers so that we can grow and prosper together as good business partners, and to ensure responsible CSR procurement in accordance with our Global Procurement Policy, maintain stable procurement and enhance competitiveness.

Global Procurement Policy

<table>
<thead>
<tr>
<th>Working together with suppliers</th>
<th>Reinforce CSR</th>
<th>Establish a supply chain that is resilient to risks</th>
<th>Produce globally competitive components and materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CSR procurement</td>
<td>2. Stable procurement</td>
<td>3. Competitiveness</td>
<td></td>
</tr>
</tbody>
</table>

Strengthening CSR initiatives

CSR is the most important element that guides corporate as well as procurement activities. The AISIN Group distributes its Asin Group Principles of Corporate Behavior not only to primary suppliers, but as far up the supply chain as possible to promote CSR procurement activities in line with the philosophy that supports these principles.

With our suppliers, we promote fair procurement activities always based on the spirit of openness and fairness. As a specific effort, we conclude a basic transaction agreement with suppliers, which places greater emphasis on CSR-related clauses regarding compliance with antitrust laws and initiatives to prohibit bribery. We also make joint efforts to augment initiatives concerning safety, the environment and quality with primary suppliers and within our entire supply chain.

Additionally, the AISIN Group has established a contact point for suppliers to make inquiries and seek advice on matters related to the Asin Group Principles of Corporate Behavior.

Establishing a supply chain that is resilient to risks

In an effort to ensure swift response to an emergency, Asin Seiki has been working to “visualize” its supply chain. More specifically, the company has created and operates a risk management system that connects data relating to components and materials purchased from suppliers with geographical and disaster information. This system is operated 24 hours a day, 365 days of the year, and if an earthquake or other disaster strikes, we can swiftly ascertain data about suppliers and products in the relevant region and make the required response quickly. We have been deploying this system to Group companies in Japan as well as in North America, China and Oceania.

During the 2016 Kumamoto earthquakes, this system enabled us to identify local suppliers in just two hours following the disaster. After four hours, we were able to identify the serial numbers of the components produced by these suppliers and accelerate our recovery efforts, including preparing alternative production locations.

Encouraging suppliers to formulate BCP

Placing top priority on protecting the lives of suppliers’ employees and from a standpoint of preparing ourselves for disasters in ordinary times, Asin Seiki promotes the implementation of disaster-related measures at suppliers and provides support to their BCP development. This may include adding anti-seismic reinforcement to their buildings, firmly fixing equipment to the ground and securing evacuation routes. By fiscal 2016, all suppliers have formulated their respective BCPs. In the future, we will shift our focus to disaster mitigation and work with suppliers to facilitate related measures. Efforts will include conducting on-site checks and inspections on the progress in their disaster mitigation measures and hosting training sessions and workshops for refining BCPs.

Response to conflict minerals

Automakers listed on the U.S. stock exchange, which are our end customers, are required to report to the U.S. Securities and Exchange Commission (SEC) regarding conflict minerals. In fiscal 2016, we once again worked with business partners and industry groups to conduct surveys to confirm the origin and history of minerals used in products, and to ensure the avoidance of use of conflict minerals. We have since provided customers with feedback on our findings, and our customers can use our products with confidence.

As a key member of the auto parts industry, Asin Seiki is also cooperating to promote these initiatives at other companies.

Information Protection and Management

Strengthening information security

The AISIN Group verifies the value of all the information it handles and treats it confidentially. At the same time, we work to appropriately obtain, utilize, disclose, manage, and protect information as well as comply with all pertinent laws and regulations such as the Unfair Competition Prevention Act and insider trading regulations in Japan.

Having continued to work on reinforcing management systems for entering and exiting buildings, strengthening information management systems and promoting security education and awareness at domestic Group companies, in fiscal 2016, we placed greater weight on awareness-raising and skills development. As such we held a legal seminar and joint study sessions on management of confidential information. Through these efforts, we seek to establish a robust system to manage confidential information across the entire Group, including Group companies both in Japan and outside Japan.

Managing personal information

The AISIN Group complies with all laws and regulations related to protecting the personal information of customers, business contacts and employees that we handle in our day-to-day operations. We have also established rules and systems to ensure the appropriate handling and management of personal information.

Following the enforcement of Japan’s new Social Security and Tax Number System in 2015, we laid down appropriate regulations for the management and use of relevant personal information.

Intellectual Property Activities

Intellectual property management

To contribute to further increasing the competitiveness of the AISIN Group, we strategically undertake activities related to the safeguarding and protection of intellectual properties at each Group company.

At the Group level, we are conducting collaborative efforts related to intellectual properties. These include encouraging personnel exchanges to augment related functionality and nurture responsible personnel at our 13 main Group companies, and operating the Intellectual Property Liaison Committee for sharing information. Simultaneously, we are working to build a global intellectual property network by establishing contact points at our development locations in North America, South America, China and Asia, defining rules on the handling of intellectual properties and providing the required infrastructure. As one effort to facilitate the use of patent information in the product planning process, we engage intellectual property teams early from the product planning stage to check patent portfolios and development activities of other companies based on patent information and guide the direction of our development efforts. Moreover, by ensuring that resulting inventions are effectively transformed into and utilized as intellectual properties, we intend to help Group companies expand business and secure profits.

<table>
<thead>
<tr>
<th>Patents held by the AISIN Group*</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12,290</td>
<td>11,932</td>
<td>11,448</td>
</tr>
<tr>
<td>Overseas</td>
<td>6,290</td>
<td>6,071</td>
<td>6,207</td>
</tr>
<tr>
<td>Japan</td>
<td>6,000</td>
<td>5,861</td>
<td>5,235</td>
</tr>
</tbody>
</table>

*12 main Group companies
*The figures for fiscal 2016 include patents held by Shiroki Corporation.
To provide quality products that exceed the expectations of our customers around the world, we strive to develop systems and human resources that can further enhance quality so that customers may use our products safely and well into the future.

Quality First

Management philosophy

The AISIN Group has advocated the philosophy of “Quality First” and believes that maintaining and enhancing quality forms the basis of our existence. In addition, we promote Total Quality Management (TQM) as a corporate activity to improve the constitution of the Group based on a “Customer First” mindset, in which everyone involved in work within the Group cooperates with each other to achieve management goals.

To reinforce our “Quality First” and “Customer First” philosophies, we held the first All AISIN TQM Conference in fiscal 2016 and shared top management’s commitment to TQM activities directly with participants. The AISIN Group continues to develop human resources capable of maintaining and improving quality standards throughout the Group.

A worldwide effort to put customers first

The AISIN Group shares information related to quality and deliberates on matters to be addressed at Group quality assurance meetings. In order to continue delivering 100% non-defective products under a Customer First philosophy, Asin Seiki has established the Global AISIN Customer First (A-CF) Committee. Under this committee, executive officers carry out assessments based on targets and action plans in individual areas – design, manufacturing, suppliers and the market – in order to determine the right direction for improvement measures. In fiscal 2016, in addition to the conventional quality improvements by function, we established a system to increase quality, cost and delivery (QCD) levels by product line under each product division. Through this system, we make collaborative efforts as a Group to improve the quality of respective products.

In an effort to establish a global quality assurance system, we are working to strengthen quality assurance in line with market expansion, revolving primarily around quality improvement committees in North America, China, Oceania, Europe, India and South America to strengthen quality assurance in line with market expansion. In North America and China, we have also launched a QA Center similar to the one in Japan, equipped with the necessary research and analytical capabilities. These centers serve as a base to make sustained improvements in quality and respond quickly to the needs of local customers and markets. In fiscal 2016, we established another QA Center in Thailand. These QA Centers are used by Group companies operating in respective regions, and they work together to share quality-related information in each region.

Developing professionals in quality

The AISIN Group promotes the nurturing of quality professionals capable of using statistical quality control (SQC) methods in their work.

As part of these efforts, AISIN encourages employees throughout the Group to attain QC certification (levels 1-4) issued by the Japanese Standards Association. By the end of fiscal 2016, 26,091 employees had acquired the certification at the 12 main Group companies. We are also working to attain advanced knowledge related to quality and put it into practice through training in SQC methods and by promoting activities to resolve key issues and individual registration of quality-based themes, with briefing sessions held to announce the results of the activities.

Initiatives to ensure reliability

In testing and evaluating new products, the AISIN Group conducts surveys on how customers in different parts of the world use its various products and under what kind of conditions, in order to ensure safety and reliability in products.

In an effort to ensure the reliability of automotive parts from the standpoint of finished vehicles rather than individual components, we conduct repeated vehicle testing using test tracks designed to recreate various road conditions around the world, namely the Fujioka Proving Ground (Aizu Prefecture, Japan), Toyokoro Proving Ground (Hokkaido, Japan) and Foxenville Proving Ground (Michigan, USA). In addition to testing and assessments at our facilities, we also conduct repeated tests locally in North America, South America, Europe, India and China based on stringent conditions that accurately reflect different natural environments and ways in which vehicles are used in different countries. This enables us to obtain unique knowledge and data, which we then incorporate into development and quality assurance. We also put the resulting expertise to good use in terms of recreating road conditions at our test tracks and raising the standard of assessments.

For lifestyle and energy-related products, we evaluate performance using large-scale equipment such as an environmental chamber to assess resistance to sunlight, wind and rain, and humidity changes. This enables us to conduct tests to determine how products will perform in the actual market so that we can create products that are both safe and reliable.

Responding to customers

Through its Customer Support Department, Asin Seiki strives to respond promptly, accurately and thoroughly to inquiries received from customers regarding its lifestyle related products, including sewing machines, beds and nursing care products. After completing the response process of each inquiry, details of a request for a better product or service are fed back to the relevant departments and are subsequently incorporated into new product development.

We also organize exhibitions twice a year to showcase quality initiatives to our own employees and employees from Group companies. At these exhibitions, we set up booths so that employees can listen to recorded complaints from customers, thereby providing an opportunity for employees to truly learn what our “Customer First” philosophy means.

Developing human resources and systems with a consumer-oriented perspective

At the AISIN Group, we maintain a consumer-oriented perspective and aim to develop human resources and systems that embody our commitment to protecting consumer rights.

In fulfilling our responsibilities as a manufacturer, Asin Seiki’s Customer Support Department provides internal education for employees responsible for creating product manuals, as well as product catalogs and other documents used as sales promotion tools, and performs a check and review of text in these documents. Moreover, we have augmented our system of proofreading by native speakers in order to ensure more appropriate phrasing matched to the culture and customs of a specific country or region. In fiscal 2016, we conducted an on-the-spot check on how product manuals and documents for sales promotion used in North America are proofread by native English speakers. We also encourage employees to obtain certification as Advisory Specialists for Consumer Affairs, with the aim of developing more human resources capable of promoting our “Customer First” approach and incorporating consumer perspectives into their work. We currently have 28 certified employees.
Based on “Be With” as the key message, the AISIN Group is committed to carrying out social contribution activities closely linked to regions in order to earn the trust and meet the expectations of everyone in local communities.

Basic Social Contribution Activities

**“Be With” local communities**

The AISIN Group established “Harmony with Society and Nature” under the Corporate Principles and stated that “we respect the culture and customs of each country and territory in which we operate, and we actively contribute to civic activities closely connected to local communities” under the Asin Group Principles of Corporate Behavior. Working as a team throughout the AISIN Group, our aim is to carry out social contribution activities as a good corporate citizen rooted in the local community as we continue to work toward our AISIN Group VISION 2020. Based on these concepts, the AISIN Group is actively working to promote social contribution activities closely linked to respective regions and countries. We consider it important that employees who participate in activities volunteer on their own initiative and share the same views as local people in carrying out operations. “Be With” goes hand in hand with our activities. On this basis, the AISIN Group hopes to fulfill its social responsibility as a business entity operating globally together with all members of local communities.

**Three pillars of social contribution activities**

The AISIN Group develops social contribution activities that are closely linked to local communities through the three pillars of Protection of Nature and the Environment, Fostering Youth and Community Building and Development.

In fiscal 2016, we conducted a survey on the status of activities at each Group company around the world. We will utilize the survey results to maintain and upgrade activities in the future.

Examples of Social Contribution Activities

**Protection of Nature and the Environment**

In the third tree-planting event in April 2015, 17 employees from domestic AISIN Group companies and 52 from local subsidiaries planted some 100,000 saplings on two hectares of land. We again took part in the fourth event held in April 2016.

In September 2015, four university students conducted a presentation on original ways to improve the educational effects of the AISIN Environmental Education Program in the Aichi Sustainability Research Lab, a project led by the Aichi prefectural government on the basis of the outcome of the UNESCO World Conference on Education for Sustainable Development (ESD). Outreach seminars on monozukuri (manufacturing) The outreach seminar on monozukuri involves classroom lectures and hands-on lessons and enables children to develop a scientific perspective through manufacturing. The seminars mainly consist of the outreach seminar on monozukuri, which is held by visiting local elementary schools, AISIN Monozukuri Hirba (Manufacturing forum) events in the area around the Aisin Seiki head office in Kanji and weekend workshops held at the Toyota Commemorative Museum of Industry and Technology (Aichi Prefecture). A total of 6,741 children have participated in 75 events from 2002 up to the end of fiscal 2016.

**Fostering Youth**

Examples of Social Contribution Activities

**Environmental education program for elementary school students**

Six core Group companies are working together with ASK-NET (a specified non-profit corporation) to host the AISIN Environmental Education Program for elementary school students.

**Supporting development of junior high school basketball players**

The AISIN Group has men’s and women’s basketball teams in Japan’s top leagues, and players and coaches regularly conduct basketball clinics for elementary and junior high school students. In August 2015, coaches and players of the SeaHorses MIKAWA and AW Wings provided skills instruction to 37 children in Toyoko-cho in Hokkaido, where our Toyoko Proving Ground is located. *SeaHorses MIKAWA and AW Wings*
Through the exchange with these children, they helped nurturing youth through sports.

Examples of Social Contribution Activities

Community Building and Development

Efforts toward social issues

The AISIN Group is actively implementing activities targeting social issues.

For several years at sites around the world, including Japan, we have continued with a traffic safety program to protect the safety of the automobile industry.

Aisin Seiki, Aisin Takaoka, Aisin Chemical, Aisin Kiko and ADVICS are actively purchasing such items as machine parts and food from organizations supporting the employment of persons with disabilities.

Moreover, in addition to Aisin Seiki, Aisin Takaoka, Aisin Sin’e and Hoset Brake Industry, from fiscal 2016 Aisin AI took part in TABLE FOR TWO (TFT), which is an organization dedicated to providing food to developing countries and eradicating obesity and lifestyle diseases in industrialized countries with a focus on imbalances in world food consumption. Whenever an employee orders an item from the healthy foods menu in the company cafeteria, the employee as well as the company and the cafeteria association donate ¥10, or a total of ¥20, to TFT. This ¥20 goes toward providing a child in developing countries in Africa with a meal. In fiscal 2016, we raised enough money to provide around 93,000 meals and achieved “Platinum Supporter” status, the highest level awarded by TFT.

The AISIN Group has also signed up to an initiative organized by the NPO Japan Committee Vaccines for the World’s Children, which donates vaccines for children in developing countries for every plastic bottle cap they receive.

Activities that are closely linked to local communities

The AISIN Group launched the All AISIN NPO Activities Support Fund (Aichi, Fukui and Toyama regions) through the 12 main Group companies as one part of activities that are closely linked to local communities. The fund assists actions taken by NPO groups. It operates using proceeds from the All AISIN Charity Concert held every year in autumn and supported 22 NPO groups in fiscal 2016.

In collaboration with Toyota Industries Corporation, we again held spring and fall “Friendship Farm” harvest festivals in fiscal 2016 and the same as in the past invited people from local welfare facilities. A potato harvest and sweet potato harvest were held in June and October, respectively, in which participants with little chance to feel the land experienced harvesting by directly seeing and touching agricultural crops.

Disaster support efforts

The AISIN Group promotes disaster relief activities in Japan and around the world.

In fiscal 2016, as part of the ongoing, collaborative volunteer activities in the Toyota Group to support the recovery areas affected by the Great East Japan Earthquake, we carried out a range of activities during the period from June to October 2015, including cutting the grass at temporary housing, lending a hand to local summer festivals and helping scallop farming.

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Employee participation in TABLE FOR TWO

<table>
<thead>
<tr>
<th>Year</th>
<th>Participants</th>
<th>Cumulative total</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>85,259</td>
<td>170,566</td>
</tr>
<tr>
<td>2013</td>
<td>26,625</td>
<td>367,102</td>
</tr>
<tr>
<td>2014</td>
<td>59,277</td>
<td>461,371</td>
</tr>
<tr>
<td>2015</td>
<td>60,000</td>
<td>530,391</td>
</tr>
<tr>
<td>2016</td>
<td>59,025</td>
<td>569,057</td>
</tr>
</tbody>
</table>

Cumulative total

Number of participants
AISIN Group Profile (13 Main Companies)

These 13 companies form the core of the AISIN Group and are working toward the creation of an enriched society in their respective, unique technology domains based on a “Quality First” approach while combining the comprehensive strengths and advanced technological capabilities of the Group.

<table>
<thead>
<tr>
<th>Aisin Seiki Co., Ltd.</th>
<th>Aisin Development Co., Ltd.</th>
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</thead>
<tbody>
<tr>
<td>The company engages in the automotive parts business as the core company of the AISIN Group. It also utilizes technologies cultivated in the manufacture of automobiles to carry out businesses in a variety of other fields, including life and energy related products. Established: August 31, 1965 Head office: Kariya, Aichi, Japan URL: <a href="http://www.aisin.com">http://www.aisin.com</a></td>
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<tr>
<td>As the only developer in the Group, the company is contributing to the creation of an even better social environment through its construction business, urban development business and insurance business. Established: December 31, 1993 Head office: Kariya, Aichi, Japan URL: <a href="http://www.aisin-ad.co.jp">http://www.aisin-ad.co.jp</a> (Japanese)</td>
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<tr>
<th>Aisin Takaoka Co., Ltd.</th>
<th>Aisin Kiko Co., Ltd.</th>
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<tbody>
<tr>
<td>The company undertakes the development and manufacture of various automotive parts utilizing such materials as steel and stainless steel materials as one of the world’s largest manufacturers of casting and plastic-forming parts. Established: March 8, 1960 Head office: Toyota, Aichi, Japan URL: <a href="http://www.at-takaoka.co.jp/english/">http://www.at-takaoka.co.jp/english/</a></td>
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<tr>
<td>The company manufactures drivetrain related and body related components utilizing its cutting, plastic-forming and other precision technologies and its flexible assembly that can respond to multiple models. Established: June 1956 Head office: Nishio, Aichi, Japan URL: <a href="http://www.aisin-kiko.jp">http://www.aisin-kiko.jp</a> (Japanese)</td>
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<tr>
<th>Aisin AW Industries Co., Ltd.</th>
<th>Aisin AI Co., Ltd.</th>
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<tbody>
<tr>
<td>The company is a top manufacturer of automatic transmissions. It also engages in the manufacture of car navigation systems and hybrid systems and provides customers around the world with products that are at the forefront of the times. Established: May 15, 1969 Head office: Anjo, Aichi, Japan URL: <a href="http://www.aisin-aw.co.jp/en/">http://www.aisin-aw.co.jp/en/</a></td>
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<tr>
<td>The company is a specialist manufacturer of manual transmissions that provides “enjoyment in handling automobiles.” It is involved with a wide range of automobiles from minicars to sports cars and commercial vehicles. Established: July 1, 1991 Head office: Nishio, Aichi, Japan URL: <a href="http://www.aisin-ai.co.jp/english/">http://www.aisin-ai.co.jp/english/</a></td>
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<tr>
<th>Aisin Takaoka Co., Ltd.</th>
<th>Aisin Keikinzoku Co., Ltd.</th>
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<tbody>
<tr>
<td>The company is the Group’s only specialty manufacturer in the chemicals field. It engages in the development and manufacture of automobile-use chemical products such as paint, adhesive agents and damping materials; wet friction materials and dry friction materials for transmissions; disc brake pads; and plastic parts. Established: February 12, 1952 Head office: Toyota, Aichi, Japan URL: <a href="http://www.aisin-chem.co.jp/english/">http://www.aisin-chem.co.jp/english/</a></td>
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<tr>
<td>The company is a manufacturer that engages mainly in the planning, development and production of automotive parts based on aluminum materials. It develops a variety of materials and products to respond to weight reductions, safety and environmental features required by automobiles. Established: February 1970 Head office: Imizu, Toyama, Japan URL: <a href="http://www.aisin-ak.co.jp/english/">http://www.aisin-ak.co.jp/english/</a></td>
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<tr>
<th>Hosei Brake Industry Co., Ltd.</th>
<th>ADVICS Co., Ltd.</th>
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<tbody>
<tr>
<td>The company boasts industry top-level production volume as a brake parts manufacturer and is also involved in products that use its pressing and welding technologies. Established: May 1968 Head office: Toyota, Aichi, Japan URL: <a href="http://www.hosei.co.jp/english/">http://www.hosei.co.jp/english/</a></td>
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<tr>
<td>The company proposes the development of systems suited to customer needs as a global supplier of brake systems. Established: July 3, 2001 Head office: Kariya, Aichi, Japan URL: <a href="http://www.advics.co.jp/en/">http://www.advics.co.jp/en/</a></td>
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<tr>
<th>Shiroki Corporation</th>
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<tbody>
<tr>
<td>The company manufactures such automotive parts as window regulators, door frames and seats. It also manufactures seats for trains. Established: March 1946 Head office: Toyokawa, Aichi, Japan URL: <a href="http://www.shiroki.co.jp/english/">http://www.shiroki.co.jp/english/</a></td>
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