

Striving for Maximum Corporate Value and Highly Transparent Management

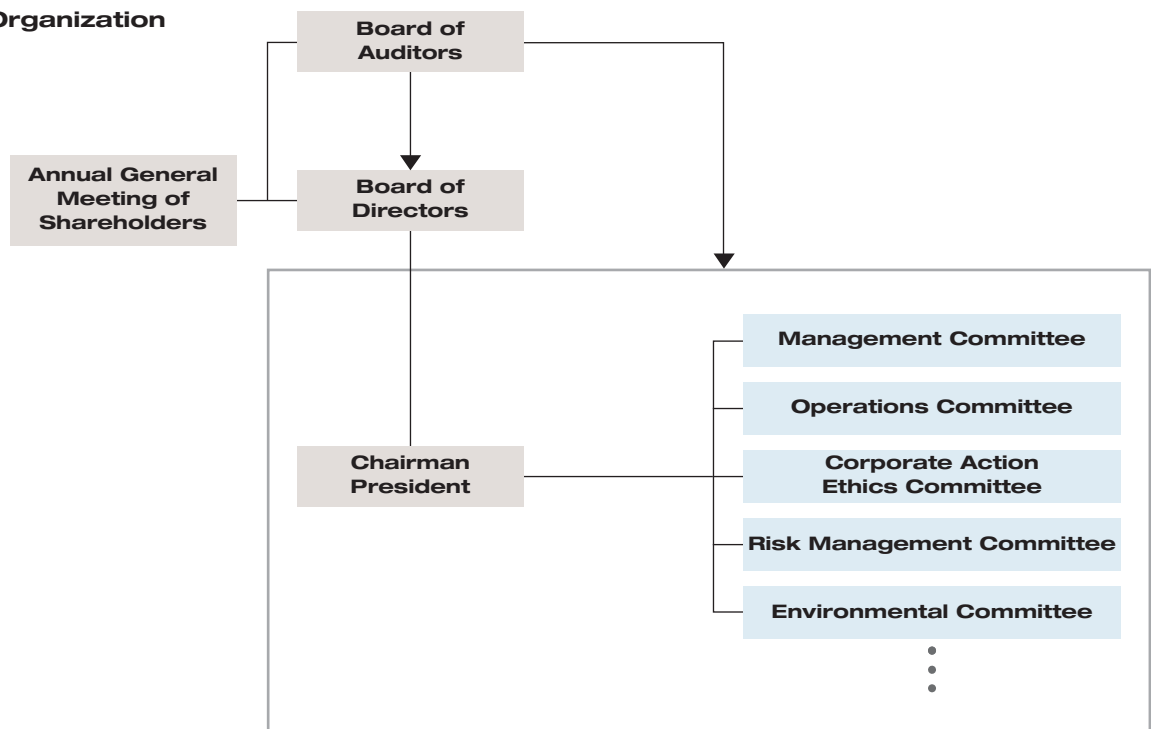
AISIN undertakes its management activities with the aim of maximizing corporate value for all stakeholders. The Group also strives to strengthen its corporate governance to continually maintain a high degree of fairness and transparency in all management activities.

■ Monitoring of Business Activities by the Board of Directors and Auditors (Board of Auditors)

In order to monitor business activities Aisin Seiki has adopted a Board of Auditors structure. Although amendments to Japan's Commercial Code from April 2003 allow the selective introduction of committee-based corporate governance, Aisin Seiki has chosen to strengthen its corporate governance by further enhancing its existing structure, which is based on the monitoring of management by a Board of Auditors that is independent from the Board of Directors. In line with our efforts to fortify corporate governance, we added one external auditor in June, 2004 to the Board of Auditors, bringing the total number of auditors to five (one internal auditor and four external auditors).

Moreover, the Board of Directors convenes on an ongoing basis. These meetings include 12 monthly meetings per year, meetings regarding Aisin Seiki's business results and the Annual General Meeting of Shareholders. During these meetings, the Board of Directors makes decisions on such important management matters as business and capital investment plans, and the establishment of subsidiaries and investments in subsidiaries. At the same time, the Board of Directors supervises the execution of duties by the individual members of the Board. Moreover, the Board of Directors has set up committees for deliberation, including the Management Committee and Operations Committee, which function as subordinate organizations, as it strives to enhance deliberation on individual matters and carry out management activities in accordance with decisions

Management Organization



made by the Board of Directors.

The main duties of auditors are to attend principal conferences and engage in dialogue with the Board of Directors and representatives of each business division, as well as to supervise and monitor top management, the Board of Directors and the execution of duties by directors through internal audits. Auditors also ascertain the state of business, finances and compliance at Japanese and overseas subsidiaries. Aisin Seiki has augmented such auditing with the establishment of a specialist internal auditing department, and undertakes continual auditing throughout its entire operations that is not solely limited to monitoring in order to ensure strict legal compliance, but that also focuses on the appropriateness of business operation procedures.

In working vigorously to ensure that management's interests are consistent with those of the Company and to undertake activities aimed at maximizing corporate value, Aisin Seiki has adopted a system for providing stock options with subscription rights to directors of Aisin Seiki and its major affiliated companies.

■ Timely and Appropriate Information Disclosure

AISIN proactively discloses information to all shareholders to ensure that corporate information is disclosed in a timely and fair manner and to promote a deeper understanding of the Group. AISIN provides a useful array of quantitative and qualitative information using a diversity of methods. These methods include holding investor relations (IR) meetings both in Japan and overseas, preparing such IR tools as annual reports and business reports, dispensing environment and social responsibility reports and providing up-to-date corporate information on our website. We also disclose information in accordance with the Timely Disclosure Rule stipulated by the Tokyo Stock Exchange and closely adhere to relevant laws and codes, including those against insider trading.

■ Enhancing Shareholders' Value

AISIN respects and works to preserve the rights of shareholders, who provide the Group with its capital. To enable a large number of its shareholders to attend the Annual General Meeting of Shareholders, AISIN aims for

an early convening of this meeting. In addition, AISIN makes efforts to provide an easy-to-understand Business Report and to respond to questions from shareholders. Based on its policy of maintaining stable dividends, AISIN returns profits to shareholders taking into consideration a comprehensive range of factors that include the Group's business results and its payout ratio. In fiscal 2004, AISIN raised cash dividends by ¥3.00 per share over the previous fiscal year to ¥18.00, and total dividends paid for the year amounted to ¥5,100 million (US\$48 million).

To raise ROE, enhance shareholders' value and execute flexible capital policies for responding to changes in the business environment, a resolution was passed at the Annual General Meeting of Shareholders in June 2004 to revise the Articles of Incorporation to enable the Group to acquire treasury stock.

■ Establishing Compliance and Risk Management Structures

AISIN established the AISIN Corporate Activity Charter, which outlines the Group's fundamental management stance for fulfilling its social responsibilities as a member of society while working to achieve corporate growth. Alongside the formulation of this charter, AISIN is strengthening its compliance while undertaking a host of other measures that include: setting up the Corporate Action Ethics Committee and formulating our Action Ethics Guide, which is aimed at ensuring that employees adhere to laws and social rules and manners; upgrading our education and training on legal affairs; and establishing in-house and external consultation counters.

Concurrently, AISIN is building a risk management structure that covers the activities of AISIN and related parties both internally and externally. As part of our risk management structure, we established the Risk Management Committee for responding to various internal and external risks and preventing reoccurrence of such risks. We also formulated the Risk Management Guide that contains preventive response categories, such as the prevention of anticipated risks and minimization of damage, and post-response categories for ensuring appropriate and quick action in the event of unforeseen circumstances.