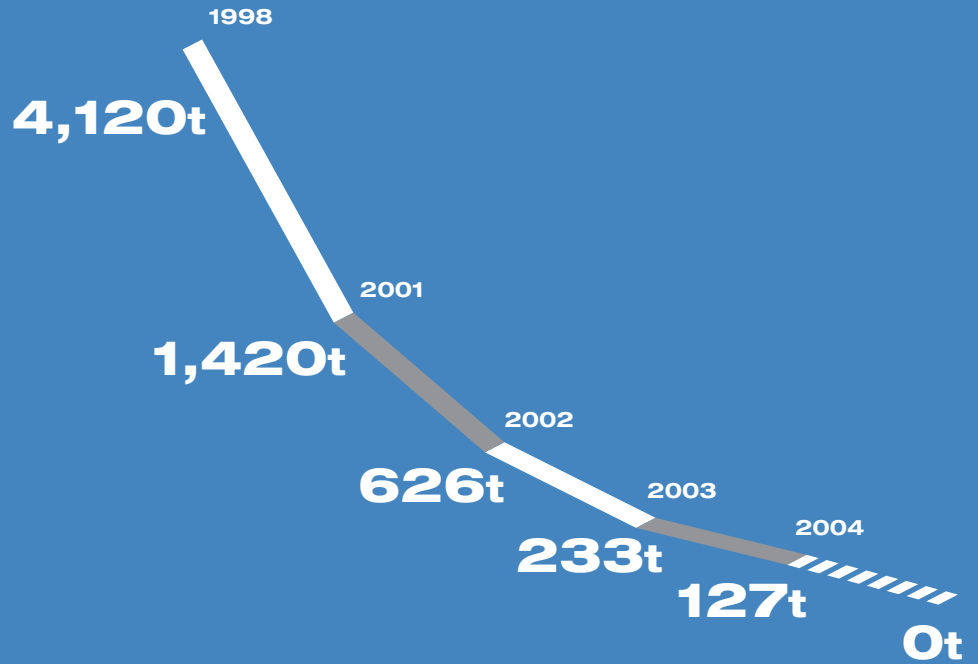


External Industrial-waste Emissions
(Aisin Seiki)



2004

Corporate Governance and Corporate Social Responsibility

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Striving for Maximum Corporate Value and Highly Transparent Management

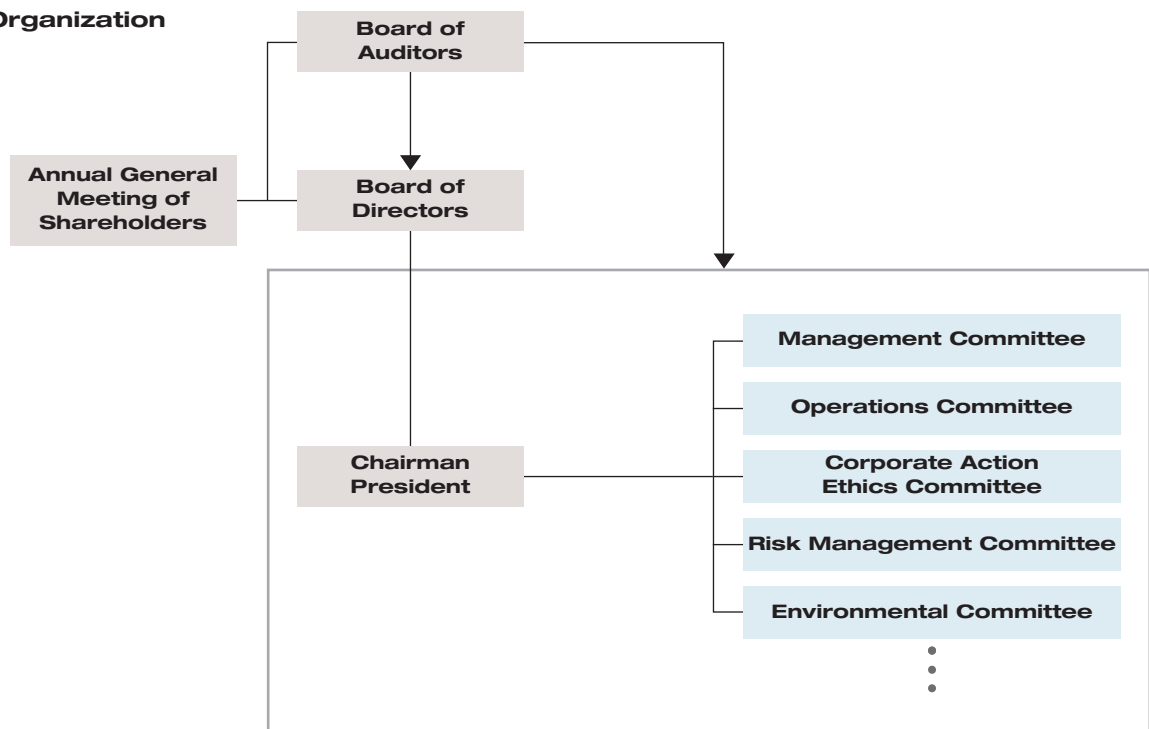
AISIN undertakes its management activities with the aim of maximizing corporate value for all stakeholders. The Group also strives to strengthen its corporate governance to continually maintain a high degree of fairness and transparency in all management activities.

■ 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.

Corporate Social Responsibility

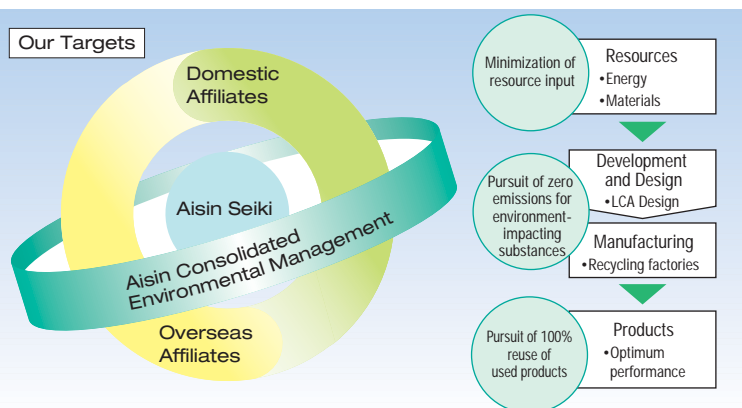
—Environmental and Corporate Citizenship Activities—

One of Aisin Seiki's corporate principles is to maintain "harmony with society and nature," and management works to undertake its fundamental role of ensuring the continued growth of the Company while simultaneously fulfilling its social responsibilities as a member of society.

Based on this role, AISIN carries out aggressive environmental and philanthropic activities as a respected corporate citizen in order to realize a sustainable society in which ongoing development is possible.

Environmental Activities

One of AISIN's prime missions is to pass down a pristine environment to future generations. In the midst of daily operations, the Group abides by environmental regulations and pollution control agreements. While pursuing Groupwide environmental preservation activities centered on energy conservation, recycling and reduction of environmental load, AISIN concurrently develops future technologies and products that will have less impact on the earth.



Environmental Accounting

Aisin Seiki's environmental accounting displays the environmental preservation costs associated with reducing the environmental impact of our operations and the benefits achieved through environmental preservation activities. Accounting data is partly based on guidelines from the Ministry of the Environment regarding preservation efforts.

Environmental preservation costs declined 15% in fiscal 2004 to ¥5,800 million. The decrease was attributed to investment during the previous fiscal year in such large-scale facilities as an energy laboratory.

The economic benefit achieved through environmental preservation activities decreased 34% to ¥250 million. Despite the cumulative effects of energy preservation activities, economic benefit declined because waste treatment facilities were introduced in the middle of fiscal 2004, leaving insufficient time for benefits to be seen.

Improving the Environmental Friendliness of Products during Development and Design and Reducing the Environmental Load

In addition to management and reduction of environmental load, Aisin Seiki is developing environmentally friendly products such as "clean energy-powered" equipment.

In the Automobile Parts and Systems Business, AISIN developed automated manual transmissions and engine front modules in order to realize refined environmental functionality through such means as improving transmission and engine efficiency, and reducing weight through modification of design and materials. In the Life Related and Other Business,

AISIN undertook product development in an environmentally friendly manner ensuring energy conservation and reduction of air and water pollution, and released such products as the gas engine cogeneration system.



Engine front module integrating the functional components such as water and oil pumps

Environmental Activities during Production

Aisin Seiki strives to reduce environmental load within all processes from materials procurement to production and distribution.

To contribute to the prevention of further global warming, Aisin Seiki managed to curb CO₂ emissions to 188,000 t CO₂ per year, just ahead of its goal of 191,000 t CO₂ per year. This was accomplished through the use of state-of-the-art 6,200 kW gas turbine cogeneration systems installed at the Nishio Plant.

With regard to waste-reduction activities, Aisin Seiki was able to reduce the external industrial-waste emissions by roughly half, from 233 t to 127 t, through the recycling of electroplating solution.

Additionally, to prevent air pollution, Aisin Seiki installed a



This waste incineration facility aids in the reduction of dioxin emissions

new waste incineration facility at the Nishio Plant—in use since June 2003—that has dramatically reduced dioxin emissions to well below existing standards.

Consolidated Environmental Management Activities

AISIN is pursuing consolidated environmental management activities within both Japanese and overseas consolidated production companies, while reducing the environmental load in a wide range of business activities throughout the Group from product development to production and distribution.

In Japan, activities were undertaken to build a system that compiles environmental data and to augment consolidated environmental management.

Overseas, AISIN is monitoring and guiding environmental preservation activities at 11 consolidated production companies in North America and, based on those results, promoting the planning and development of mutually supportive structures.

Corporate Citizenship Activities

In striving to become a company that is kind to people, society and nature, AISIN is aggressively pursuing activities in close connection with communities so that each employee can fulfill their social responsibilities as respected corporate citizens.

In particular, a wide range of activities are being undertaken within the three spheres of “community and urban development,” “preserving the natural environment” and “cultivating youth.”

Community and Urban Development

To deepen relations with the community, Aisin Seiki invites citizens and the handicapped to various volunteer events, including the *Aisin Sawayaka* (“refreshing”) concert and *ichigo-gari* (“strawberry picking”). Moreover, Aisin Seiki remodeled a corner of its corporate housing into a daycare room that is free for citizens of Kariya to use, thereby assisting child rearing in the community.

Overseas, subsidiaries are pursuing such volunteer activities as the renovation of local retirement homes in disrepair and



Aisin Sawayaka (“refreshing”) concert



Japanese *taiko* (“drum”) performances

promoting relations with communities through the hosting of such Japanese cultural events as *sumo* competitions and Japanese *taiko* (“drum”) performances.

Preserving the Natural Environment

Aisin Seiki hosts the *Nobikko Shinrin-tai* (Sapling Forest Team Event), during which people can learn about the current state of forests through a hands-on tree thinning experience, and conducts tree-planting activities on Mount Fuji. Moreover, efforts are also directed toward global environmental preservation activities through such measures as promotion of roof gardens at the AISIN com-center (Communications Hall) and at Aisin Seiki’s Kariya Plant.



Mount Fuji tree-planting tour

Cultivating Youth

AISIN encourages children to learn about the fun and wonder of creation, or *mono-zukuri* through the *Aisin Mono-zukuri Hiroba* (“Making Things Plaza”) and by supporting such organizations as the Boys and Girls Invention Club in the Nishio region.



Aisin Mono-zukuri Hiroba (“Making Things Plaza”)

External Feedback on the Success of Corporate Social Responsibilities

Aisin Seiki’s efforts in corporate governance, environmental sustainability and social responsibility activities were rated by and subsequently listed on the FTSE4 Good Global Index, which is an index of social responsibility investment (SRI) undertaken by companies around the world.

The FTSE4 Good Global Index is one of the indexes in the FTSE4 Good Index Series started in 2001 by the FTSE Group, which is the leading index company of the United Kingdom jointly owned by The Financial Times Limited and the London Stock Exchange.

While pursuing sustainable development for society and for the Group, as well as conducting environmental management, AISIN aims to raise corporate value.

Directors and Auditors

Aisin Seiki Co., Ltd.
(As of June, 2004)



Mikio Natsume
Executive Vice President

Motoyasu Tanaka
Vice Chairman

Akihiro Wada
Chairman

Kanshiro Toyoda
President

Minoru Hayashi
Executive Vice President

Chairman

Akihiro Wada

Vice Chairman

Motoyasu Tanaka

President

Kanshiro Toyoda

Executive Vice Presidents

Mikio Natsume

Minoru Hayashi

Senior Managing Directors

Tetsuro Senga

Hikomitsu Fukui

Sota Inoue

Tsutomu Yasui

Managing Directors

Takayasu Honda

Kazuhisa Saito

Norio Oku

Masaki Horiba

Directors

Kikuo Kato

Haruo Mori

Genshiro Mizuno

Fumio Fujimori

Takeshi Kawata

Shunichi Nakamura

Shinichiro Yamamura

Toshikazu Nagura

Shinji Itakura

Mitsuyuki Suzuki

Tsuneo Uchimoto

Standing Corporate Auditors

Kiyofumi Mizuno

Toshihiro Gonda

Corporate Auditors

Shoichiro Toyoda

Hiroyuki Mizutani

Michiyo Hamada