

# Striving for Maximum Corporate Value and Highly Transparent Management

AISIN aims to ensure long-term sustainable growth and expansion by developing a sound relationship with all of its stakeholders toward maximization of corporate value. To that end, the Group is augmenting corporate governance as a corporate citizen trusted by the international community, conscious of its importance to maintaining a high degree of fairness and transparency.

### New Corporate Governance Structure

Via a resolution in June 2005 at the General Meeting of Shareholders, AISIN introduced a new corporate governance system that features a streamlined Board of Directors and newly appointed Managing Officers. Amid increasing globalization of business and subsequent intensified competition, this new system is geared toward dealing with ever-growing pressures to strengthen domestic and overseas Group management and accelerate both decision-making and operational execution.

#### Overview of New Structure

##### 1. Appointment of Managing Officers

Aisin Seiki has appointed Managing Officers (non-board members) responsible for managing operations of each function. Also, the Company has assigned Managing Officers at leading overseas subsidiaries to strengthen Group operations and global management.

##### 2. Streamlined and Horizontally Oriented Board of Directors

Aisin Seiki has accelerated decision-making by reducing the size of its Board of Directors. Senior Managing Directors are responsible for managing operations, and as such, are involved in all areas of management as well as operational decision-making. Those above the level of Vice President are chiefly responsible for formulating management strategy and supervising the execution of business operations.

In order to monitor business activities, Aisin Seiki has adopted a Board of Auditors structure. We have chosen to strengthen corporate governance by further enhancing the existing structure, which is based on the monitoring of management by a Board of Auditors independent from the Board of Directors. To that end, at the General Meeting of Shareholders in June 2004, Aisin Seiki raised the number of auditors by one for a total of five corporate auditors (one internal auditor and four external auditors), who are responsible for auditing the activities of the Directors, the operations of domestic and overseas subsidiaries as well as overall financial standing.

The main duties of corporate auditors are to attend such principal conferences as the Board of Directors meetings, as well as engage in dialogue with the Board of Directors, representatives of each department and domestic and overseas subsidiaries, and to supervise and monitor the Board of Directors and the management of operations by Managing Officers through internal audits. Corporate auditors also ascertain the state of business, finances and compliance. Aisin Seiki has augmented

audit functions with the establishment of a specialist internal auditing department, and undertakes continual auditing throughout its entire operations that monitors operational management, appropriateness of business procedures and legal compliance.

Besides those duties mandated by law, the Board of Directors, which generally convenes once a month, makes decisions on such important management matters as the formulation of management policies and business plans, planning for capital investment in addition to the establishment of and investment in subsidiaries, and is the designated organ for supervising the management of operations by the individual members of the Board. The Board of Directors has also set up committees for deliberation, including the Executive Committee and Operations Committee, which function as subordinate organizations, as it strives to enhance deliberation on individual matters and monitors, guides and assists management in accordance with decisions.

### 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. In disclosing information, persons responsible for information management immediately convene an Assessment Conference after information is obtained to ensure the comprehensiveness and appropriateness of critical information, and subsequently make a determination as to its importance and the level of need for prompt disclosure. Cognizant of the relevant laws and codes against insider trading and other crimes, AISIN also discloses information in accordance with the Timely Disclosure Rule stipulated by the Tokyo Stock Exchange.

We also work to meet our obligation to stakeholders regarding full disclosure through 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, creating 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.

### Respect for the Rights of Shareholders

AISIN respects and undertakes efforts to preserve the rights of shareholders, who provide the Group with its capital. To enable

a large number of its shareholders to attend the 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 2005, AISIN raised cash dividends by ¥6.00 per share over the previous fiscal year to ¥24.00, and total dividends paid for the year amounted to ¥7,040 million (US\$66 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 General Meeting of Shareholders in June 2004 to revise the Articles of Incorporation to enable the Group to acquire treasury stock. 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 has adopted a system for providing stock options with subscription rights to Directors and Managing Officers of Aisin Seiki and its affiliated companies.

### Establishing Compliance and Risk Management Structures

AISIN established the AISIN Charter of Corporate Behavior, which outlines the Group's fundamental management stance for fulfilling its social responsibilities as a member of society. Alongside the formulation of this charter, and with the goal of ensuring proper conduct in all corporate activities as a member

of society, AISIN is strengthening its compliance while undertaking a host of other measures that include setting up the Business Ethics Committee and formulating our Business Ethics Guidelines, which is aimed at ensuring that employees adhere to laws and social rules and manners, as well as upgrading our education and training in legal affairs and establishing in-house and external consultation counters. To comply with the Personal Information Protection Act enacted in April 2005, AISIN created the Personal Information Protection Policy outlining the protection of the personal information of customers, business partners and employees acquired over the course of daily business operations. This policy is aiding in building a set of rules and structure for employees to comply with laws and other regulations regarding personal information and handle such data with little need for supervision.

Amid progress made in global business expansion and subsequent diversification of management risks, 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 Risk Management Guidelines that contain 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.

