

Striving to Be a Company that Balances the Dual Goals of Sustainable Growth and Social Responsibility

AISIN aims to ensure long-term sustainable growth by developing a sound relationship with all of its stakeholders toward maximization of corporate value. To that end, AISIN will work to enhance corporate governance and strengthen internal controls as a corporate citizen trusted by the international community, ever conscious of continuously pursuing fair and highly transparent management.

■ Aiming to Construct a Stronger Governance System

AISIN introduced a new corporate governance system in 2005 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 addressing ever-growing pressures to strengthen domestic and overseas Group management and accelerate both decision-making and operational execution. 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 expenditures in addition to the establishment of and investment in subsidiaries, while supervising business execution by management.

In order to monitor management, Aisin Seiki has adopted a Board of Auditors structure. 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. 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.

To strengthen corporate governance, it is imperative to augment the Board of Auditors, which is an independent body from the Board of Directors. On June 22, 2006, the General Meeting of Shareholders approved to raise the number of auditors by one for a total of six corporate auditors (two internal auditors and four external auditors), who are responsible for stricter auditing of the activities of the directors, the operations of domestic and overseas subsidiaries as well as overall financial standing. In order to bolster internal controls, we expanded administrative and staff positions that assist the auditors and established a Corporate Auditor Department under the direction of the Board of Auditors to ensure autonomy from the Board of Directors.

Aisin Seiki has also set up the Executive Committee and Corporate Officers Committee, which deliberate on individual matters as well as monitor, guide and assist management in accordance with decisions made by the Board of Directors. In this way, AISIN aims to introduce a multi-tiered system to achieve reliable corporate governance.

■ Disclosing Corporate Information from Multiple Channels in a Timely and Fair Manner

To have all stakeholders deepen their understanding of AISIN, it is important to disclose corporate information in a timely and fair manner. In disclosing information, persons responsible for information management convene an Assessment Conference immediately 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 discloses information in accordance with the Timely Disclosure Rule stipulated by the Tokyo Stock Exchange.

AISIN widely discloses information through a diversity of channels. These include holding investor relations (IR) meetings both in Japan and overseas, creating such IR tools as annual reports and business reports, publishing sustainability reports and providing up-to-date corporate information on our website. From fiscal 2006, AISIN will publish detailed Group activities in the form of an easy-to-understand *AISIN REPORT*, which combines the previous annual report and sustainability report. In order to meet our responsibility to stakeholders for detailed disclosure, we will further enhance activities to provide corporate information.

■ Respecting Shareholder Rights

One of the important missions of a listed company is to respect and undertake efforts to preserve the rights of shareholders. To enable a large number of its shareholders to attend, AISIN aims for an early convening of the General Meeting of Shareholders. In addition, AISIN makes efforts to provide an easy-to-understand business report and 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 2006, AISIN raised annual cash dividends by ¥8.00 per share over the previous fiscal year to ¥32.00, and total dividends paid for the year amounted to ¥9,412 million (US\$80 million).

To raise ROE and execute flexible capital policies in response to changes in the business environment, AISIN is able to acquire treasury stock upon such a decision made by the Board of Directors. In working vigorously to ensure that management's interests are con-

sistent 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.

Promoting More Thorough Compliance

AISIN established the AISIN Charter of Corporate Behavior, which outlines the Group’s fundamental management stance for fulfilling its social responsibilities as a good corporate citizen. 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 the Business Ethics Guidelines, which is aimed at ensuring that employees adhere to laws and social rules and manners, as well as upgrading the education and training in legal affairs and establishing in-house and external consultation counters.

To comply with the Personal Information Protection Act enacted in Japan as of 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 struc-

ture for employees to comply with laws and other regulations regarding personal information and handle such data with little need for supervision.

Reinforcing the Risk Management Structure

Management risks have diversified as AISIN expands its business scale and globalizes its business activities. As part of our risk management structure, we established the Risk Management Committee for appropriately responding to various internal and external risks and preventing reoccurrence of such risks. We also formulated and distributed to related parties within and outside the AISIN Group the 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.

In addition, AISIN established the Corporate Risk Management Department in January 2006 to assess the scope and operational impact of defined risks and provide rapid and appropriate troubleshooting. In the future, AISIN will make further efforts in improving compliance and risk management in order to further reinforce internal controls.

Management Organization

