

Aiming to Pursue *Mono-zukuri* that Contributes to an Enriched Society

President Yasuhito Yamauchi

Structurally Integrating the Strengths of the Group Companies to Achieve Growth

—State of the AISIN Group—

Aisin Seiki has built a unique Group structure based on its stance of augmenting growth potential through Group management. Amid these efforts, Group companies will continue to maintain an appropriate business scale while retaining specialized expertise that outdistances the competition and makes each Group company the leader in respective fields.

In AISIN's mainstay segment of drivetrain related products, automatic transmission (AT) manufacturer Aisin AW Co., Ltd. (Aisin AW) and manual transmission (MT) manufacturer Aisin AI Co., Ltd. (Aisin AI) have become the indus-

try leaders as specialty manufacturers. Sales have expanded rapidly for products that offer greater comfort and utility, including Aisin Seiki's power sliding door systems and sun-roofs in the body related products segment, as well as Aisin AW's car navigation systems and Aisin Seiki's parking assist systems in the information related products segment. In the casting related products segment, Aisin Takaoka Co., Ltd. (Aisin Takaoka) is expanding production as one of the few specialty casting producers, especially in the ASEAN region where it enjoys a competitive edge. In the brake and chassis related products business, ADVICS Co., Ltd. (ADVICS) is expanding sales as a brake system supplier engaged in everything from such brake components as brake pedals and pads to the development of systems for antilock brake systems (ABS) and electronic stability control (ESC) systems.

The unparalleled strengths that AISIN boasts over its competitors include an extensive lineup of automotive parts



and comprehensive technological capabilities that combine development and manufacturing prowess, as well as a system that can assess the reliability of every part of a vehicle system at the Group's proving grounds, which are one of the largest of any automotive manufacturer in the world. In the future, it is essential that we fully leverage these strengths to bolster our development and proposal capabilities for high-value-added system products that meet the needs of customers.

By always considering what the model automobile society should be in the future and how AISIN's development and technological capabilities can contribute to realizing this ideal, the Group aims to create revolutionary products that no competitor can duplicate. Just as the market has come to expect from us, our strongest forte is the ability to propose and stimulate customer demand through fresh ideas and come up with practical applications, as exempli-

fied by the development of a Navimatic* system that combines the AT with the car navigation system.

Based on a shared long-term vision, AISIN will work to acquire the trust of customers and contribute to an automobile society by systematically combining the technological competencies of each Group company to provide products that are embraced by customers seeking safety, functionality, superb design and comfort.

* Navimatic: A system that relies on car navigation information and driver controls to forecast and set the optimal gear for the AT based on approaching road conditions.



Strengthening the Corporate Structure and Human Resources

—Business Strategy—

Based on a management policy to “Cover every market in which automobiles operate,” AISIN has worked to expand operations in the global market by accelerating expansion of production bases around the world as well as rapidly improve marketing and development structures.

In fiscal 2006, AISIN established five new production companies in China while working to augment production capacity overseas, particularly in China and ASEAN countries. We also strengthened our structure for assessing automobile performance by being the first Japanese supplier to open a proving ground in North America. In Japan, we augmented production capabilities for ATs and core components for hybrid vehicles with the launch of operations of Aisin AW's Okazaki East Plant (Okazaki, Aichi) in January 2006. In order to keep pace with increased production among customers and boost economies of scale, we transferred the Nishio Body Components Plant (Nishio, Aichi) to Hekinan City, and reopened it in May 2006 as the Kinuura Plant. In addition, we established Aisin Hokkaido Co., Ltd. in Tomakomai, Hokkaido, to manufacture aluminum die

casting body components.

While AISIN is broadly expanding business activities domestically and overseas in this way, in order to further grow as a worldwide supplier, we must augment the AISIN Group's ideal of “*mono-zukuri* power” to an unprecedented level at all operational bases around the world. The key to reaching this goal is to standardize “production” and “skills” to ensure that the same high quality can be achieved at every base across the globe.

“Standardization of production” means that AISIN makes simple, streamlined and efficient equipment and molds internally that can be mastered by any AISIN employee in any country, allowing us to realize significant cost reduction and enhanced competitiveness. Subsequently, we have reorganized production-related departments through such measures as the establishment of the Production Standardization Promotion Department in January 2006.

To “standardize and improve skills,” we established a Personnel Development Center and ramped up the recruitment structure for interns from overseas to promote the standardization of skills to that of a global level. In addition to new employees, we are targeting supervisory personnel for training given their crucial role in improving quality and ensuring safety, and will invest in training personnel who possess



broad and sophisticated technological knowledge and advanced skills and who can operate on a global playing field.

The Perfect Opportunity for Solidifying Our Foundation during a Strong Performance Period

—“Conscious Reform” and “Structural Reform”—

Given that our favorable performance in recent years stems from a tailwind in the form of increased orders as customers increase their unit production, we are cognizant that our recent prosperity is not solely the result of our own efforts. In order to achieve further expansion, we must reinforce the corporate structure by carrying out “conscious” and “structural” reforms. In order to build an even stronger AISIN, we must shed the notion that future growth will follow a path similar to that of the past, and invest all of our efforts in drafting ambitious challenges and innovative approaches with a positive attitude and fresh ideas.

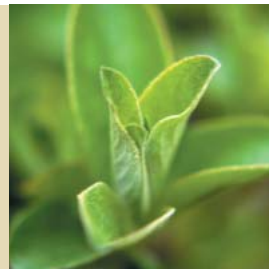
From fiscal 2006, we launched the “zero waste” activities and “S 1/2” activities (activities to strengthen corporate constitution by cutting in half such factors as personnel, investment and lead times through innovative ideas) in

every department including administrative and managerial in order to aggressively promote a change of mind-set and structural reorganization. The ultimate goal is to achieve simple and streamlined business operations that produce zero waste. We have been working to achieve these goals with a strong dedication to structurally reorganizing the entire Group, with results gradually becoming apparent.

Being Highly Aware of Environmental Issues

—Environmental Efforts—

Currently, only one-fourth of the world population enjoys the benefits of automobiles. As a supplier of the automobile industry, we would like to see all the people of the world be able to enjoy the delight and convenience of automobiles. However, if we neglect pursuing environmental measures in kind, rather than bringing joy to the global citizenry via the automobile, we would actually be doing them a great disservice. As a company involved in the automobile industry, we are aggressively tackling problems in environmental preservation to pursue thorough environmental management in all business activities.



In terms of specific activities, one means involves contributing to environmental preservation via our products. AISIN will contribute to the world by aggressively pursuing not only technological development geared toward improved automobile fuel efficiency, lower weight and reduced environmental load in products, but also, for instance, by developing eco-friendly products such as residential fuel cells through harnessing AISIN's technologies. As a means of reducing environmental load on the factory floor, we will work to eradicate the use of hazardous materials in products, while also devoting our full energies toward activities that reduce the amount of CO₂ emissions and reduce waste to zero for incinerated and similar waste. It is also important, however, that we establish production technologies and production expertise to support such aims and actively disclose such activities to the public. In addition, we are encouraging all Group employees to sustain a high level of environmental awareness as well as actively participate in nature and environmental preservation activities in their local communities.

In order to realize these aims and become a top environmental player, we formulated the Fourth Environmental Action Plan as a guide up to the year 2010.

Striving to Achieve Highly Transparent Corporate Management

—Corporate Social Responsibility—

AISIN's fundamental management stance is to actively fulfill its social responsibilities in order to contribute to the development of a sustainable society based on the Corporate Principles of "enhanced value creation," "continuous global growth," "harmony with society and nature" and "individual creativity and initiative." It goes without saying that achieving sustainable expansion in an international society requires business expansion that accounts for "harmony with society and nature" as well as the development of healthy relationships with stakeholders.

Amid a business environment undergoing sweeping change, we, as a company trusted by the international community, are working to achieve highly transparent management supported by our stakeholders through the pursuit of a variety of ongoing measures, including promoting thorough compliance, strengthening corporate governance and augmenting rapid and proper disclosure.

In January 2006, we established the Corporate Risk Management Department to assess the scope and operational impact of identified risks and provide rapid and



appropriate troubleshooting. In the future, we will work to further augment and strengthen internal controls.

Moreover, so that each employee can fulfill his or her social responsibility as a respected corporate citizen, AISIN is also actively promoting volunteer activities and employment of persons with disabilities as voluntary activities tied to local communities, chiefly through the "Sawayaka Fureai Center" (Volunteer Promoting & Health Service Center).

We will continue to listen sincerely to the comments of stakeholders and engage in discussions as a means of achieving harmony with society as a respected corporate citizen.

Aiming to be a Company Trusted by Customers

—Establishment of the AISIN Brand—

AISIN celebrated its 40th anniversary in September 2005. If we are to continue to grow and enjoy our 50th and 60th anniversaries, we will have to bolster the brand strength of AISIN. In this sense, brand strength not only encompasses the tangible form comprising such elements as having superb product design and performance, but also the intan-

gible form in which every employee exemplifies the best qualities of the AISIN brand.

To make AISIN a preeminent global brand, we must acquire an unwavering level of trust from society, customers and business partners by ensuring that all employees engage wholeheartedly in *mono-zukuri* with a constant awareness of the obligations of trust we operate under. AISIN will become a truly powerful brand only when customers view us as being "totally reliable" and hold us in high esteem. As we move beyond this milestone, I believe that now is the best time to solidify our foundation so that we can resolutely pursue *mono-zukuri* that contributes to the prosperity of society.

I am convinced that you can expect great things from AISIN.