October 31, 2019

Notice Regarding Filing of Shelf Registration Statement for Corporate Bonds

Aisin Seiki Co., Ltd. (AI) hereby announces that today it filed with the Director-General of the Kanto Local Finance Bureau a shelf registration statement for corporate bonds.

1. Purpose and Background of the Shelf Registration Statement

AI has always committed to overcoming various challenges surrounding the automotive industry and contributing to the advancement of society by creating enhanced value. As a part of specific measures toward that goal, as announced today in a separate release titled "Management Integration of Aisin Seiki and Aisin AW," Aisin AW Co., Ltd. (AW), a subsidiary of AI, and Toyota Motor Corporation (TMC) have agreed that AW will acquire all of the AW shares held by TMC (hereinafter, "the Transaction"). This shelf registration statement is based on the below 2 and 3, and in consideration of the future funding needs including the Transaction.

2. AISIN Group's Financial Strategy

AISIN Group strives to develop amicable relations with all stakeholders amid its steady growth and expansion over the long term in order to maximize corporate value.

Our financial strategy is based on the fundamental policy of maintaining a balance between financial safety and capital efficiency while raising corporate value. Being aware of the importance of reducing our overall cost of capital, AISIN Group has strived to realize an optimal capital structure to reduce the cost of capital since FY2002. Specifically, we consider capitalization ratio[*1] as an important financial index to assess our capital structure, and believe that the ratio from 25% to 30% represents an optimal balance. In terms of financial safety, one of our main criteria is solid ratings from credit rating agencies as we strive to secure low-cost external financing by maintaining high credit ratings. Regarding capital efficiency, we strive to reduce the overall cost of capital by placing priority on debt financing within a range that allows us to maintain our credit ratings and contain the scale of capital. Also, by introducing a cash management system (CMS)[*2], it has enabled us to execute our capital strategy and to utilize funds effectively within AISIN Group.

3. AISIN Group's Financing

AISIN Group expects necessary funds will be approximately JPY300bn for the Transaction and other purposes. In consideration of financing methods, AISIN Group is currently simulating impacts of the Transaction and financing methods on credit ratings, as it is essential to secure a financial base for sustainable growth strategy in line with the financial strategy above.

Although a detailed financing plan has not been determined yet, Hybrid Financing[*3], which both avoids equity dilution and has a positive impact on credit ratings, is expected to be the most suitable method. The details, including size of the necessary funds and financing schemes, will be determined with the highest priority on maintaining existing financial strategy. Issuance of new shares of common stock is not scheduled for the financing.

*1 Capitalization Ratio: Indicator of balance between interest-bearing debt and equity (net assets). (interest-bearing debt/ (interest-bearing debt + shareholders' equity))

*2 Cash Management System (CMS): A system where a parent or a core company of a group centrally manages funds of group companies in dedicated accounts of the same bank for consolidated operations and effective use of the funds.

*3 Hybrid Financing (subordinated bonds, subordinated loans) has features of both equity and debt. Because it is debt, there is no equity dilution, whereas it is similar to equity in features and characteristics, such as an option to defer interest payments, extremely long-term redemption periods, and subordination in liquidation or bankruptcy proceedings. Accordingly, AISIN Group expects that rating agencies will deem 50% of the funds raised under the Hybrid Financing as equity for the purpose of their ratings.