

Interview with Outside Directors



Outside Director
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Outside Director
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Outside Director
Tsunekazu Haraguchi

How should structural reform be advanced to create synergies from the new Aisin? What should its governance be like?

The second year for the new Aisin, established through integration with Aisin AW (AW) in April 2021, has begun. Although certain effects of the integration have been seen, we are still on our way to building frameworks to draw a scenario for the growth of the entire Group. How should our structural reform be advanced to create synergies from the integration? What should effective governance for the entire Group be like? Our three independent Outside Directors exchanged frank opinions based on their respective positions and knowledge.

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— How do you evaluate Aisin's governance?

Hamada In recent years, initiatives to enhance corporate governance have greatly advanced in Japan. In particular, changes in the board of directors are remarkable. Many companies have shifted from the "management model," in which directors execute business operations, to the "monitoring model," in which the board of directors appoints executives to be in charge of execution of operations and monitors their performance.

Aisin has always taken the lead in promoting such reform ahead of the times. The company began streamlining its board of directors in 2005 and now has four outside directors and four internal directors. With regard to supervision of human resources and remuneration, which is an important function of the board of directors, the company established the Executive Personnel Committee and the Compensation Committee in 2016 to enhance the function. Starting from June 2021, two female members have been appointed for the Audit & Supervisory Board. One of them is the first internally promoted female executive.



Haraguchi Separation between execution and supervision has significantly advanced. I have seen changes in Aisin's governance structure since I became an Outside Director in 2014. Still, I cannot say that the governance systems have fully infiltrated throughout the AISIN Group. For example, the level of understanding of the whistleblowing system varies among Group companies. Conventionally, Aisin has practiced branch management, where each subsidiary makes its unique efforts to make profits. However, now that the company has changed its course to group management, the whole of the Group should work together to advance various reforms. I think many issues are attributable to people, and therefore, initiatives to enhance education for people, such as providing top management of the Group companies with training programs to make them aware of the importance of management, will be crucial.

Shin When doing monitoring as an Outside Director, I often have difficulty knowing the actual situation. In this sense, I think communication with the Audit & Supervisory Board Members who know well about the internal situations is important. I expect the Audit & Supervisory Board Members to detect not only negative aspects, such as internal frauds, but also positive aspects through audits. The three players, namely the Directors, Audit & Supervisory Board Members and Corporate Officers, should fulfill their respective roles while cooperating with each other. I think this is a condition for a good company.

Hamada Aisin provides sufficient support for its Outside Directors through opportunities for sharing information and explanations in advance. I would like to work proactively to gather information while maintaining close communications.

— The second year for the new Aisin, established through integration, has begun. How do you see the progress in structural reform and the challenges?

Haraguchi I have been involved in group management in the past. I faced challenges of group governance involving subsidiaries that have achieved significant growth and their parent company. The same challenges faced the AISIN Group before

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integration. Rapid changes in the external environment, such as the slowdown in the Chinese market and the accelerating electrification in society, forced the whole AISIN Group to expedite discussions over how to move in the same direction. I appreciate that the integration was achieved earlier than expected. However, some steps remain incomplete. The Group is still less than halfway through the fundamental goal of creating synergies. Ensuring a “full product lineup” and “concentration of resources” is crucial for Aisin. But it is difficult to achieve both. To create synergies, selection and concentration of businesses must be advanced.

In doing so, it should be remembered that employment must be maintained. To facilitate effective utilization of resources, human resources mobility within the AISIN Group should be considered from the stage of recruitment, and measures to enhance human resources, such as effective training programs, should also be introduced. I expect every employee to be determined to play an active role as a member of the new AISIN Group.

Shin In terms of product development, I see synergies have been arising from eAxle, a next-generation drive unit. At the Corporate Officer level, in particular, a strong sense of urgency is shared. It is reflected in the introduction of the

CxO, an initiative promoted by President Yoshida. In order to overcome the severe environment, business execution in a cross-sectional manner, rather than the conventional vertical division, is increasingly required. On the other hand, a sense of urgency has not yet been shared by all employees. To have the importance of structural reform understood by all the stakeholders, including employees, I think activities to communicate information both inside and outside the company should be enhanced.

Hamada It is necessary to renew the mindset that a company can be appreciated in the market only by creating good products and services. The company should proactively communicate necessary information. The AISIN Group has long been promoting diversity & inclusion, focusing mainly on support for women in workplaces. In fiscal 2022, the rate of male employees who have taken paternity leave reached 100%. In the business aspect, various promising technologies related to carbon neutrality have been developed, such as CO₂ fixation and Perovskite solar cells. I think the AISIN Group should reinforce its public relations while maintaining an atmosphere where members are encouraged to take up any challenges.

Haraguchi Probably due to its modest and restrained corporate characteristic, some marketing cases failed in areas other than automobiles. This is a challenge to overcome.

— How do you evaluate the current status of reform declared in the Group’s Vision for 2030?

Shin I feel that the Group Philosophy “Inspiring ‘Movement,’ Creating Tomorrow” is a very good ideal image for the AISIN Group. I think “movement” is natural for living things, including plants. Starting with “what is the movement for” and “how can inspiration be brought,” the role of the AISIN Group is to think about how it can change the entire society. In response to CASE, the Group is not only promoting electrification and automated driving but is also expanding its

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business, from manufacturing of things to creation of services. It is necessary to clarify how the company will change the conventional business model and what the AISIN Group can provide for customers, including society. The advancement of electrification in society will accelerate the shift from hydraulic to electric and the reduction in the number of parts used in vehicles. It is not that all vehicles will be electrified, but car manufacturing will become increasingly complicated. The AISIN Group has experience in manufacturing for vehicles as a whole. As electrification advances, control of the heat generated from eAxe and batteries will become more important. Aisin is able to propose optimal energy management for the entire vehicle using its cooling technology. Moreover, Aisin has its own test courses, which is rare for a parts manufacturer. I think Aisin can grow sustainably by making use of its unique strengths and assets.

Hamada To shift resources to different or new fields, reskilling (re-learning) of existing technologies will be important. At Aisin, under the initiative of a promotion organization, education on carbon neutrality, electrification and DX, the company's key areas, is actively promoted through specialized education programs and other internal measures. On the other hand, traditional technologies and human resources, especially craftsman's skills in manufacturing, should be protected as their restoration will be difficult once they are lost. Continuous attention should be paid to pass on such skills.

Haraguchi In the sense of growing people, broadening one's perspective is also important. When starting something new, it is important to ensure active flows of people. I think more people should be seconded both inside and outside the AISIN Group.

— Finally, what is the key to realizing our Philosophy toward 2050 “Inspiring ‘movement,’ creating tomorrow”?

Hamada If nothing is changed, the future of the company and the future of the Earth will be in danger. We must face this with a sense of crisis and take on challenges. With the Corporate Philosophy clarified, I am sure that all employees have become aware that working for their company means contributing to society.

Shin Not just words, but it is also important to take action. How should the concept of automobiles be changed to make the world happier? Corporate Officers are required to give shape to this concept. For example, how about using the eAxe, a next-generation technology already in practical application, as a banner to demonstrate clearly the direction the new Aisin aims toward both inside and outside the Group?

Haraguchi Today, with geopolitical risks heightening, business management from multiple perspectives is crucial to respond to various situations. Interest of the public is important. But it changes easily. Instead of just following trends, Aisin should determine its core fields and concentrate its business resources in such fields. I hope I can support the company as an Outside Director.

