



For a Better Tomorrow
AISIN GROUP

AISIN GROUP REPORT 2017



Aiming to Be an “Irreplaceable Global Partner”

The AISIN Group has promoted the spinoff of companies into a network of subsidiaries and affiliates centered on Aisin Seiki, which was established in 1965, to effectively leverage its advanced technological capabilities in the diversifying auto industry. By optimizing each company into a specialized business domain, we have become a corporate group able to process diverse materials such as steel, aluminum and resin into products that cover virtually all elements of driving that include the operating, turning and stopping functions of automobiles.



1965 - 1974

Birth of Aisin Seiki

Aisin Seiki was created in 1965 through the merger of Aichi Kogyo Co., Ltd. and Shinkawa Kogyo Co., Ltd. with the aim of strengthening its corporate structure and fortifying international competitiveness as an auto parts manufacturer.

Establishment of mass production structure

Production capacity was increased and strengthened to respond to a rapid expansion of automobile production.

Pursuit of self-reliance in technologies

To establish independent technologies, Aisin Seiki promoted measures to raise technological capabilities that included opening the Technology Development & Research Laboratory, building a proving ground and proactively introducing technologies from European and U.S. auto parts manufacturers.

Building a foundation for overseas business

Proceeded to build a foundation for overseas business in preparation for an expansion in exports of auto parts and for leaping forward as an international company.

1975 - 1984

Pursuit of “Quality First”

During the process of strengthening corporate structure through total quality control (TQC), won four crowns, including the Deming Prize, the Japan Quality Control Prize, the Plant Maintenance (PM) Prize and the PM Special Prize in TQC and total productive maintenance (TPM) categories.

Toward the age of car electronics

Launched a new structure that combined electronics with traditional mechanics to respond to rapid advances in car electronics.

Research network for future technology development

In anticipation of 21st century society, built an independent research structure that included a research laboratory with basic fields as its themes.

1985 - 1994

Full-fledged overseas production

In reaction to the Plaza Accord in 1985, the AISIN Group also commenced full-fledged overseas production.

New developments in leading-edge technology fields

Future-oriented technology research began to bloom with the creation of new products in energy and medical device fields. Established a global research network.

1995 - 2004

Expanding and upgrading overseas business structure

Along with the start of full-fledged local production, strengthened production and sales structures in North America, South and Central America, Europe, ASEAN countries and China guided by the policy “Advance on our own into areas where there are markets.”

Initiatives for development in energy fields

Advanced toward new development themes such as fuel cells and solar cells. Promoted efforts for commercialization to solve various environmental issues, beginning with global warming.

Aiming for a sustainable society

Commenced company-wide initiatives that position global environmental protection as a crucial management issue based on recognition that realizing a sustainable society is a social responsibility of companies.

2005 - 2014

Expansion and independence of global business

Along with the globalization of business, strengthened Group collaboration and progressed with the creation of a business structure in each region that enables operations ranging from development and design to production and sales to be carried out independently.

2015 -

Initiatives to strengthen Group competitiveness

■ **Business restructuring**
Completed creation of a new framework following restructuring of five businesses, namely manual transmissions, brakes, auto-body parts, seat frames and pistons, in order to develop existing business and strengthen our production system.

■ **Accelerated development of next-generation growth domains**
Identified three fields for the Group to focus on, namely “zero emissions,” “automated driving” and “connected cars” that are viewed as key in our mission to develop next-generation technologies and made the decision to invest development resources held by the Group in these fields in a focused manner.

■ **Introduction of a Virtual Company System**
Introduced with the aims of strengthening unity within the AISIN Group and boosting responsiveness to change. Directed toward raising competitiveness from four perspectives: (1) heading in the same direction, (2) improved efficiency, (3) new value creation, and (4) sophistication.

⇒ Please refer to “Message from Top Management” on Pages 06-11 and “Virtual Company Presidents’ Roundtable Discussion” on Pages 12-17 for details.

AISIN Group Main Product Lines

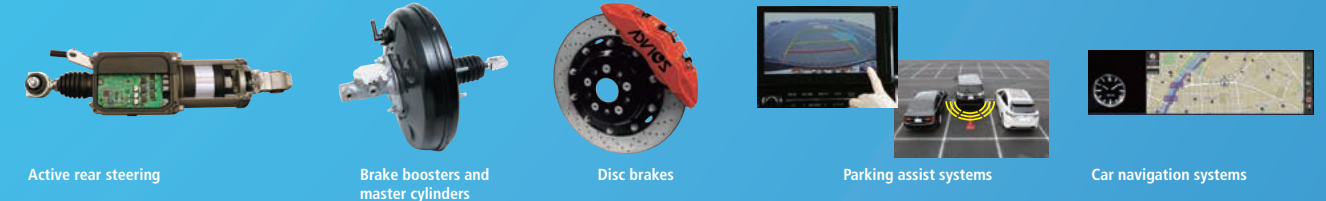
Powertrain Domain



Body Product Domain



Chassis & Vehicle Safety System Domain



L&E Domain



A Year for Enhancing Group Collaboration and Building Capabilities to Switch from Defense to Offense

In fiscal 2017, we set the AISIN Group slogan as “Do what you want to do to make tomorrow better” with the aim of becoming “A vibrant company that possesses true competitiveness and proposes new value” and promoted initiatives to bolster the competitiveness of existing businesses, accelerate development in next-generation growth domains and strengthen competitiveness by enhancing Group collaboration.

Management-related topics

April 2016

Management integration of Shiroki Corporation into Aisin Seiki



September 2016

SeaHorses MIKAWA took part in the first division of the B League in the Japan Professional Basketball League, which was launched in 2016.



August 2016 - February 2017

Acquired own shares of common stock (approx. 10 million shares at a cost of ¥49.0 billion).

<http://www.aisin.com/news/pdf/20170301.pdf>

February 2017

Management integration of Aisin Seiki and Art Metal MFG



April 2017

Introduced a Virtual Company System to bolster unity in the AISIN Group and strengthen responsiveness to changes.

⇒ Please refer to “Message from Top Management” on Pages 06-11 and “Virtual Company Presidents’ Roundtable Discussion” on Pages 12-17 for details.

April 2017

Aisin Seiki and airweave Inc. entered into a sales alliance for ASLEEP and airweave brand bedding.

⇒ Please refer to “Business Report for Fiscal 2017” on Pages 24-27 for details.

April 2016

The factories of Aisin Kyushu Co., Ltd. and Aisin Kyushu Casting Co., Ltd. were damaged in the earthquakes with maximum seismic intensity of 7 that hit Kumamoto Prefecture



August 2016

Aisin Kyushu Co., Ltd. completed restoration and resumed production.



November 2016

Started working groups in next-generation growth domains focused on three fields of “zero emissions,” “automated driving” and “connected cars.”

⇒ Please refer to “Business Report for Fiscal 2017” on Pages 24-27 for details.

2016

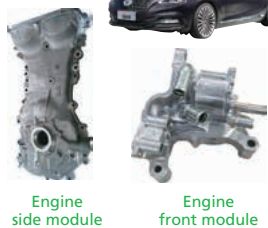
2017

April May June July August September October November December January February March April

Product-related topics

June 2016

Products employed in Guangzhou Automobile Group Motor Co., Ltd.’s GA8



Engine side module Engine front module

August 2016

Products employed in the Nissan Serena



Power sliding door Variable valve timing

October 2016

Products employed in the Subaru Impreza



Electric oil pump Interior handle

September 2016

Products employed in the VOLVO 590



8-Speed FWD Automatic Transmission 6-Speed FWD Automatic Transmission

October 2016

Aisin Seiki announced ILY-Ai, a new model of personal mobility



December 2016

Products employed in the Toyota C-HR



Cooperative regenerative brake system



Spray-type damping coat

February 2017

ENE-FARM TYPE S fuel cell cogeneration system for residential use won the Energy Conservation Grand Prize.

⇒ Please refer to “Business Report for Fiscal 2017” on Pages 24-27 for details.



March 2017

Products employed in the Toyota LEXUS LC500



10-Speed FWD Automatic Transmission Aluminum fixed type 6-pot caliper Pop-up door handle

| Message from the Chairman and President |

The AISIN Group companies that were damaged in the Kumamoto earthquakes in April 2016 have made a full recovery, and we would like to express our sincerest appreciation for the warm support we received.

In fiscal 2017, sales of automatic transmissions and body parts were strong worldwide, spurring record high sales. Despite the negative impact of restoration costs following the Kumamoto earthquakes and foreign exchange translation loss on profits, we still managed to post record highs in operating profit, profit before income taxes and profit attributable to owners of the parent.

The AISIN Group will continue to advocate a basic philosophy of “Quality First” going forward and strive to build an even sturdier structure by learning the lessons of the recent earthquakes. At the same time, we will contribute to the creation of an environment enabling a better society and better lifestyles based on the unified efforts of our global Group.

We ask for your continued understanding and support as we forge ahead.

Kanshiro Toyoda
Chairman
Aisin Seiki Co., Ltd.

Yasumori Ihara
President
Aisin Seiki Co., Ltd.



Aichi Kogyo Co., Ltd., the predecessor to Aisin Seiki, manufactured the first Toyota sewing machine HA-1 in 1945. Kiichiro Toyoda, the first president of Aichi Kogyo, was committed to delivering top-quality sewing machines to customers to help with the swift reconstruction of Japan after the war. It took only six months before his aspirations bore fruit and production was underway. Approximately 80% of the sewing machines were sold overseas at the time and the foreign currency earned was used to support Aichi Kogyo's business, making this product invaluable to the company.

| Corporate Principles |

Based on “Quality First”

1. Enhanced Value Creation

We are committed to contributing to the advancement of society through future-oriented research and development that provides new value for our customers.

2. Continuous Global Growth

We are committed to realizing steady development and growth in the global marketplace by establishing the foundations of our business activities in local values, cultures and customs.

3. Harmony with Society and Nature

We are committed to earning trust as a responsible corporate citizen by valuing harmony with society and nature.

4. Individual Creativity and Initiative

We are committed to building a work environment that promotes continuous progress by developing the creativity and initiative of individual employees.

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Editorial policy

AISIN Group Report 2017 is issued to provide stakeholders with information concerning the Group's various activities while promoting dialogue with stakeholders. Along with this report, please refer to the AISIN Group CSR page on our website for more detailed information.

Period covered

Primarily fiscal 2017 (April 1, 2016 to March 31, 2017). Some information is related to activities outside this period.

Scope of the report

In principle, the AISIN Group (Aisin Seiki Co., Ltd. and its consolidated subsidiaries) is covered in this report. In case the scope of reporting differs for each information category listed, we indicate as such using the terms six core Group companies and 13 main Group companies.

Reference guidelines

ISO 26000, Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4, Japan's Ministry of the Environment Environmental Reporting Guidelines (2012 Version)

Fiscal year

April 1, 2016 to March 31, 2017
All fiscal years mentioned in this report run from April 1 to March 31 of the following year based on the accounting fiscal period in Japan. Scope of consolidation covers consolidated subsidiaries and equity-method affiliates.

Issued

August 2017

Notations

AISIN Group	Aisin Seiki Co., Ltd. and consolidated subsidiaries
14 main Group companies*1	Aisin Seiki Co., Ltd.*2 Aisin Takaoka Co., Ltd.*2 Aisin Chemical Co., Ltd.*2 Aisin AW Co., Ltd.*2 Aisin Keikinzoku Co., Ltd. Aisin Development Co., Ltd. Aisin Kiko Co., Ltd. Aisin AI Co., Ltd.*2 Aisin Sin'ei Co., Ltd. Aisin AW Industries Co., Ltd. Hosei Brake Industry Co., Ltd. ADVICS Co., Ltd.*2 Shiroki Corporation Art Metal MFG Co., Ltd.
	*1 14 companies including Art Metal MFG Co., Ltd. from fiscal 2018 *2 Six core Group companies

Cautionary statement with respect to forward-looking statements

The report contains statements concerning plans, prospects, strategies, convictions and business performance forecasts regarding the future of Aisin Seiki Co., Ltd., consolidated subsidiaries and equity-method affiliates. These statements are based on judgments made by AISIN from information that can be obtained at the present time and may also involve risks and uncertainties.



Aiming to be a Vibrant, Globally Competitive Company That Proposes New Value

Yasumori Ihara
President
Aisin Seiki Co., Ltd.

Review of Fiscal 2017

Problem-Solving Activities through *Genchi Genbutsu* (Go and See for Yourself) Lead to Record-High Profits

During fiscal 2017, operating profit increased ¥35.9 billion and we achieved record-high revenue and operating profit. The primary factors driving these solid results included the approximate 1.32 million increase in unit sales of automatic transmissions by Aisin AW, to 8.69 million units. Also contributing to performance were especially strong sales of high-added-value body parts, including system products such as Aisin Seiki's power sliding doors, in Japan and China.

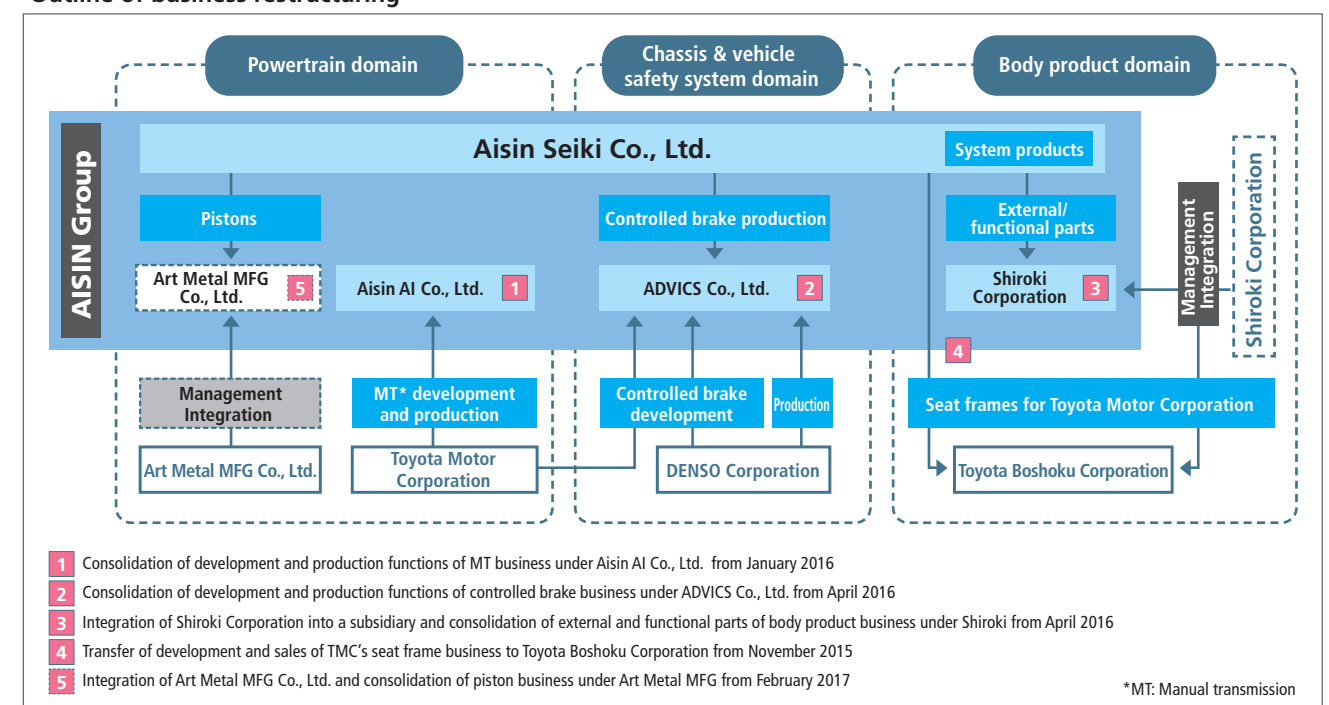
I am extremely grateful that we finished the fiscal period with outstanding business results, especially when considering the cloudy outlook at the beginning of the fiscal year due to the effects of the Kumamoto earthquakes and the impact of the strong yen. I would also like to express my appreciation to all our employees for their hard work.

Looking at our business activities, our top management priority has been to strengthen the competitiveness of our existing businesses. In line with this objective, for approximately two years

I personally visited all 227 companies and 320 main bases that are undertaking business to accurately ascertain the current state of our business operations through *genchi genbutsu*. In doing so, I discovered and examined problems for each function, geographic region and product, and identified approximately 350 of the most critical problems. In response, we subsequently carried out problem-solving activities by ranking each problem based on its level of urgency and then solving problems one by one starting with the highest-priority issues. I believe our problem-solving activities functioned extremely well.

For example, in door locks, one of the company's mainstay products, we video recorded and then performed comparative evaluations of all assembly lines at our nine bases worldwide, centering on the Shinkawa Plant in Japan. This has allowed us to deploy the most efficient manufacturing processes globally as well as to continuously compare and review purchased components at all bases, which has resulted in

Outline of business restructuring



MESSAGE FROM TOP MANAGEMENT

improved profits. Besides this example, we are achieving significant results at various bases and for products, and our problem-solving activities are now being firmly positioned throughout our operations worldwide.

We also began undertaking business restructuring in fiscal 2016. As part of this reorganization, in February of fiscal 2017 we integrated the management of Art Metal MFG Co., Ltd. in the piston business. With this business integration, we have now completed the framework for business

Toward Future Growth
Issues to Be Addressed by the AISIN Group

The AISIN Group has promoted the establishment of separate, independent companies and achieved growth as a professional corporate group under the respective management policies of each of these companies that specialize in specific product lines. When looking at the state of the world in recent years, however, I am concerned about growing business risks and regional risks, such as an increase in global protectionism policies, and have a heightened sense of uncertainty about the future. The impact of recent developments on the AISIN Group's business activities is totally unpredictable. At the same time, IT is advancing with unprecedented speed, and society is undergoing dramatic changes as everything around us is now

Formulating Group Management Policies for Strengthening Our Sense of Unity as a Group and Our Ability to Respond to Change

We formulated the Group Management Policies from fiscal 2018 with the aim of aligning our direction as a Group. These policies help us recognize challenges and strengthen our sense of unity as a Group and our ability to respond to change.

Our fiscal 2018 Group Management Policies consist of the following three guidelines:

restructuring implemented in the powertrain domain, Chassis & Vehicle Safety System Domain and Body Product Domain as we proceed smoothly with initiatives for strengthening competitiveness in all domains.

As these examples demonstrate, I am confident that we are making steady progress toward "strengthening our underlying foundation." Based on this assessment, I would like to make fiscal 2018 a year in which we transition from "defense" to "offense."

connected to the internet. In the automobile industry, a wave of unprecedented dramatic structural change is rapidly approaching. This includes the advance of automated driving technologies, the spread of connected cars and evolving lifestyles characterized by cars changing from something you own to something you share.

The AISIN Group's transmission business is currently performing well. That said, I am unsure whether we can maintain our future competitiveness as these changes unfold merely by maintaining the status quo. As a response, we will promote initiatives for strengthening our sense of unity as a Group and our ability to respond to change.

1. Accelerate growth strategies that anticipate the next generation (take on challenges toward the future).

2. Strengthen competitiveness in existing businesses.

3. Reinforce the management foundation that supports sustainable growth.

The first guideline, "accelerate growth strategies that anticipate the next generation," is the Group's top priority. Based on the watchwords "zero emissions," "automated driving" and "connected cars," we will accelerate development activities targeting next-generation growth domains as well as introduce a Virtual Company System and tackle new challenges in Group management for strengthening Group competitiveness.

The second guideline is to "strengthen competitiveness in existing businesses." As we earn the benefits of our business restructuring, we will steadily progress with the building of an efficient Group production structure that responds to increasing demand for automatic transmissions. Along with this, the Group will work in unison to accelerate initiatives for raising competitiveness. These efforts will focus on standardizing components and evaluation items previously determined separately for each company as we strive to improve development efficiency.

Accelerate Technology Development in Next-Generation Growth Domains with the Group Working in Unison

The AISIN Group has specialized in a domain involving the actual movement of cars based on the "operating, turning and stopping" functions of automobiles. Going forward, an urgent task in this domain will be to respond to systemization and integration accompanying the advance of automated driving and connected cars in the future. As I look ahead to our development that combines artificial intelligence with the AISIN Group's existing core technologies, I believe that the three areas of "zero emissions," "automated driving" and "connected cars" will likely become extremely important areas. Therefore, I decided to undertake Group-wide new technology development activities in these three areas with the Group working in unison.

In the first area, zero emissions, we are pursuing various initiatives through the Electrification Working Group (WG) and the EV/FCV System WG.

The Electrification WG is moving forward with the development of powertrain products for

The third guideline is to "reinforce the management foundation that supports sustainable growth" and this also encompasses compliance. We will once again reevaluate the underlying foundation that supports our corporate activities, thoroughly adhere to our basic philosophy of "Quality First" and assure quality that meets the expectations of our customers.

We are also advocating the following three measures as behavioral guidelines for individuals. The first is to "have a dream" for attaining or realizing some desire. The second is to speedily take on new challenges for realizing this dream. The third is to "break down any walls in the company, business and functions" that stand in your way.

Under these management policies and three behavioral guidelines, I would like the AISIN Group to be a vibrant company that possesses true competitiveness worldwide and proposes new value.

hybrid cars, electric vehicles (EVs) and fuel cell vehicles (FCVs). Specifically, we are developing a one-motor automatic transmission for hybrid cars that is being demanded by European automakers. We are also focusing on developing motors and inverters, which are basic components of powertrains for EVs and FCVs, by leveraging our knowledge cultivated in hybrid transmissions.

In the EV/FCV System WG, we are undertaking development in cooperation with Toyota Motor Corporation in anticipation of the age of EVs and FCVs. We would like to provide a variety of products suitable for electrification across a wide field that includes not only our powertrain business but also our chassis & vehicle safety business and body product business.

In the second area, automated driving, we are making various efforts in the Vehicle Dynamics Control WG and the Automated Valet Parking WG.

The Vehicle Dynamics Control WG is developing systems that optimize vehicle dynamic

MESSAGE FROM TOP MANAGEMENT

performance and realize integrated control of operating, turning and stopping functions that encompasses powertrains, steering, suspensions and brakes. I had the opportunity to test drive a prototype vehicle that integrated this technology. The body responded favorably when making sharp turns and we are already realizing bodies that enable extremely comfortable rides.

In the Automated Valet Parking WG, we carried out development aimed at fully automated parking whereby with just one touch of a button an automobile performs automated parking and then automatically returns to a drop-off location. We have already advanced to the stage of test drives using actual vehicles, and we hope to introduce this technology at this year's Tokyo Motor Show.

In the third area, connected cars, we are undertaking various initiatives in the Hospitality Services WG and the Location Based Services WG.

We possess a wide variety of products and technologies that include such body parts as power sliding doors, power back doors and sun-roofs as well as such body sensors as driver monitoring systems. The Hospitality Services WG aims to use these technologies to realize a variety of functions that provide comfort. These include seat positioning that activates in conformance with the driver the instant the driver is seated as well as doors that detect the presence and distance of adjacent vehicles and then changes the way the doors are opened to avoid making contact with other vehicles.

The Location Based Services WG creates services that support the movement of customers leveraging the navigation technologies of Aisin AW and utilizing position information and Big Data.

The VC System is composed of four business VCs and the Head Office. The business VCs consist of the Powertrain VC, which handles engines and transmissions; the Chassis & Vehicle Safety System VC, which is responsible for brakes, chassis and automated driving; the Body VC, which handles body components such as power sliding doors and sunroofs; and the ICT & Electronics VC, which handles navigation, electronic control units and sensors. Through the VC System, we will promote product development by consolidating the technologies of each company and enhance business efficiency by eliminating overlapping domains. Further, the Head Office will possess functional divisions such as development, production, procurement and sales as well as business administration divisions that include accounting and human resources functions. We will proceed with the sophistication of our business operations through functional divisions and enhance the efficiency of business operations through the unified platform of business administration divisions.

In detailed terms, the Powertrain VC will center on Aisin AW, which handles automatic transmissions and transmissions for hybrid cars; Aisin Seiki, which handles transmissions for commercial vehicles; and Aisin AI, which handles manual transmissions. Each company in this VC will



consolidate its transmission development resources cultivated to date, build a unified development structure and promote the development of new powertrains.

In the Chassis & Vehicle Safety System VC, ADVICS, Aisin Seiki and Hosei Brake Industry will collaborate in the development of brakes, chassis and automated driving to raise the performance of "operating, turning and stopping."

In the Body VC, we will adjust overlapping product domains of Aisin Seiki, Aisin Sin'ei and Shiroki Corporation and integrate each company's field of strength. By doing so, we will strive to enhance efficiency through the pursuit of economies of scale while developing efficient production lines that leverage the excellent qualities of the three companies.

In the ICT & Electronics VC, we will strengthen competitiveness by integrating all electronic component and navigations system units, consolidating resources and raising development efficiency.

⇒ For details, please refer to "Virtual Company Presidents' Roundtable Discussion" on Pages 12-17.

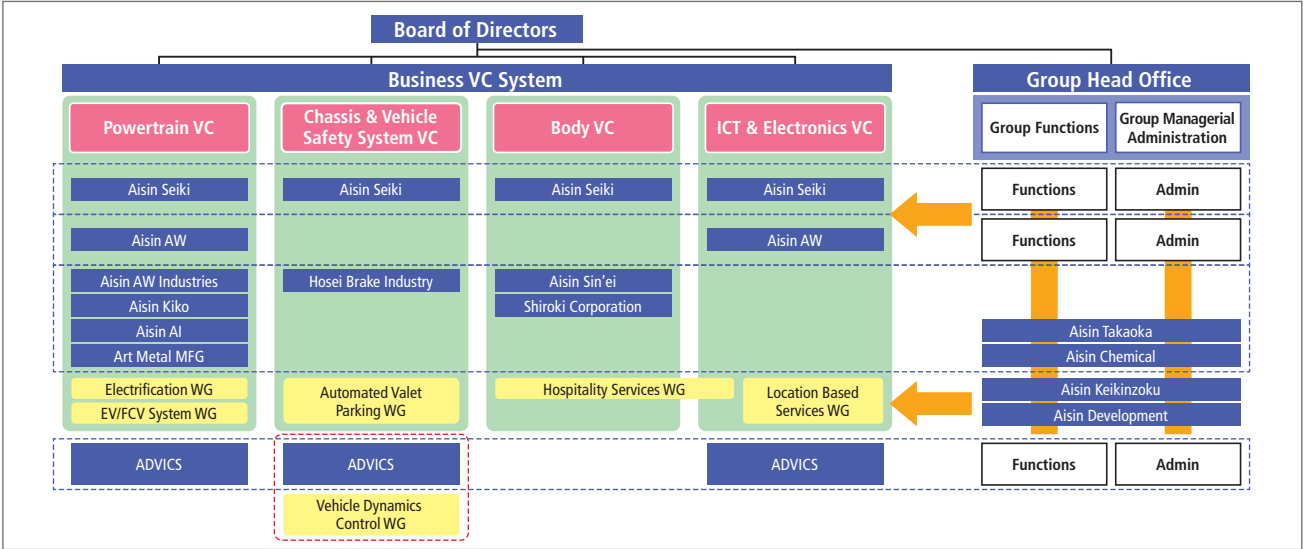
Introducing a Virtual Company System toward Strengthening Group Competitiveness

In April 2017, we introduced a Virtual Company System (VC System) as a foundation for strengthening the competitiveness of the Group as a whole.

The VC System was introduced for the purpose of strengthening competitiveness by bolstering a sense of unity as a Group and our ability to respond to change. To attain this objective, we are consolidating various companies according to business

lines to undertake product development, production and sales as if each product line is one company. On the other hand, we will speedily execute our business operations while maintaining respect for each real company to take advantage of the excellent DNA cultivated at each separate company to date, such as their diversity, respect for people, spirit of challenge and a sense of speed.

Overview of VC System

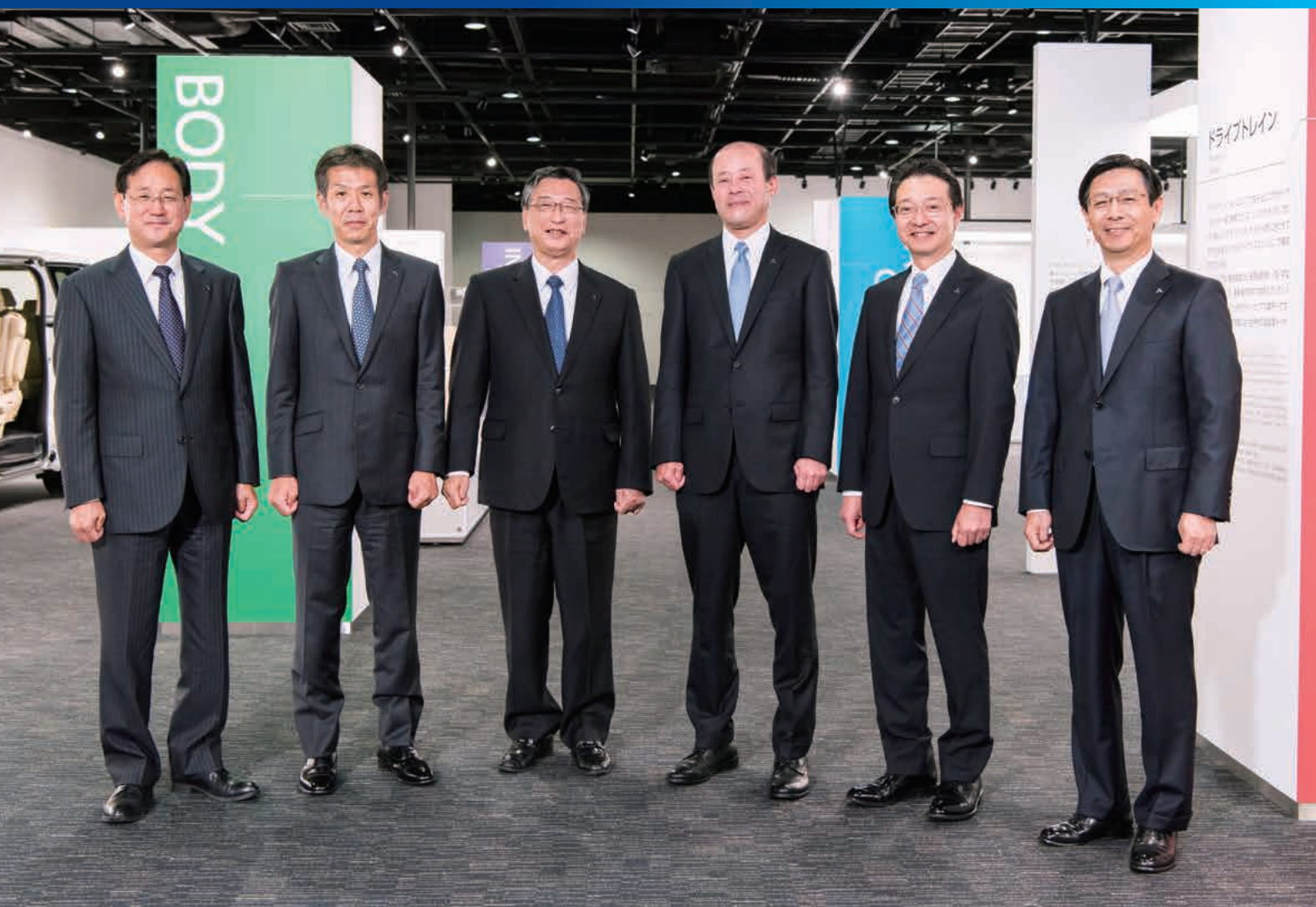


A Company That Provides Excitement and Joy to Its Customers

At first glance, there appears to be no particular problems under the business structure that maintains our DNA, whereby each separate company determines its own direction just as we've always done. However, I have the sense that without realizing it, the entire AISIN Group has become very large, the AISIN spirit has faded and each company is heading in slightly different directions. I view the recent introduction of the VC System as an excellent opportunity to continually promote change in the four lines of business and develop this system into an optimal shape through repeated trial-and-error efforts with the Group working in unison. When I assumed the duties of

president we unveiled the slogan "Do what you want to do to make tomorrow better." I ask you to ensure that the AISIN Group remains a group of companies that can provide excitement and joy to customers throughout the world in any era. The automobile industry is approaching a major turning point. I believe that various initiatives, beginning with our VC System as well as our development activities in next-generation growth fields, will in a sense determine the future of our company. I have a strong desire to continue taking on new challenges while having dreams so that we can move toward the future together with our customers.

Further Reinforcing Our Future Competitiveness through the Virtual Company System



Kazuhisa Ozaki President Powertrain VC	Satoshi Ogiso President Chassis & Vehicle Safety System VC	Yasumori Ihara President Aisin Seiki Co., Ltd.	Masahiro Nishikawa President Body VC	Hiroshi Uenaka President ICT & Electronics VC	Makoto Mitsuya Executive Vice President Aisin Seiki Co., Ltd.
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Recently, the automobile industry has faced extreme changes, driven by technological innovation, such as vehicle electrification, automated driving and the Internet of Things (IoT), and by the entry of IT and other different business sectors into the industry. To increase our capability to respond to such changes and strengthen the unity of the AISIN Group, we launched the Virtual Company (VC) System in April 2017. With President Ihara leading the discussion, the president of each VC and Executive Vice President Mitsuya representing the Group Head Office talked about what specific initiatives are being implemented under the VC System to increase overall competitiveness.

Perception of the Environment Surrounding the VC System and Issues of Each VC

Ihara: Please share your views on the environment surrounding each Business VC and the Group Head Office and describe existing issues.

Powertrain VC

Ozaki: The demand for automatic transmissions is on the rise, and one issue is how we increase our production capacity while adapting to regulatory changes. Increasingly stringent environmental regulations have been enforced across the world, such as the CAFE*1 standards in the United States and the NEV*2 regulations in China. If these regulations push the trend toward electrification and accelerate the shift to hybrid vehicles (HV), electric vehicles (EV) and fuel cell vehicles (FCV), the demand for the existing automatic transmissions may decline. We have to prepare for that risk as well.

*1 Short for Corporate Average Fuel Efficiency, the CAFE standards are regulations in the United States, which calculate the average fuel efficiency of each automaker and require the automaker to ensure that its fuel efficiency does not go below this standard value.
*2 Short for New Energy Vehicle, the NEV regulations in China require automakers to sell a certain number of "new energy vehicles," including EVs and plug-in hybrid electric vehicles (PHEVs).

Chassis & Vehicle Safety System VC

Ogiso: In the field of chassis and vehicle safety, we are undergoing considerable changes involving electrification, automated driving and connected cars and facing severe competition. As seen in the growing demand for preventive safety technologies to eliminate traffic accidents, needs of the times are changing, requiring us to make a swift response and take up new challenges. On the other hand, mechanical components, such as brakes that safely stop heavy vehicles weighing one or two tons, still remain very important. The entire Group has to make concerted efforts to increase the competitiveness of these products, including adoption measures targeting emerging countries.

Body VC

Nishikawa: Aisin Seiki and Shiroki Corporation had been "good" rivals, learning from each other for almost 50 years. Recently, however, the competition with manufacturers in emerging countries has been intensifying, and the two companies are having a hard time to prevail over the competition, particularly in the field of exterior and functional parts, such as door frames and moldings. Increasing the competitiveness of these existing products is an urgent task. In addition, as the two companies together operate 46 vehicle body bases in and outside Japan with some overlaps in business fields, we also need to increase the efficiency of our supply structure. As for our

highly competitive sunroofs, power sliding doors and other system products, which we have only been able to supply to a limited group of customers, we need to enhance our product lineup to provide more choices to customers and push ahead with the development of forward-looking, next-generation products.

ICT & Electronics VC

Uenaka: The ICT and electronics field is seeing the increased use of IoT and artificial intelligence (AI). ICT and electronics will be at the core of the automobile industry in the future, and we need to collaborate with the rest of the Business VCs in taking necessary actions.

Group Head Office

Mitsuya: Business models in the automobile industry have changed dramatically, encouraging many companies operating in different business sectors to enter into the industry. We have to adopt a new way of competing with these companies. Under these circumstances, we need to make moves geared toward the next generation and the generation after that, while securely attaining growth in our existing business fields. To do so, the Group Head Office has to carry out three tasks. One is to look ahead, discuss with the Business VCs what technologies and businesses to invest in from a broader business perspective and set up a structure to provide access to the information necessary for such discussions. The second is to consolidate common resources and operations for better efficiency and use the resulting "surplus" to further refine the existing operations. The third is to reinforce our safety, environmental and quality postures that form the foundation of our management. These are the three tasks the Group Head Office intends to tackle.

Ihara: Is the Group Head Office planning to draw in staff from our 14 Group companies?

Mitsuya: As a first step, about 40 members and 10 members from 14 Group companies of the Managerial Administration Sector were dispatched to Aisin Seiki and Aisin AW, respectively, on April 1, 2017. They are making an "inventory" of businesses at these companies.





Yasumori Ihara
President
Aisin Seiki Co., Ltd.



Kazuhisa Ozaki
President
Powertrain VC



Satoshi Ogiso
President
Chassis & Vehicle Safety System VC

Specific Initiatives under the VC System

Ihara: Now, could you describe the specific initiatives of each Business VC and the Group Head Office?

Powertrain VC

Ozaki: We need to effectively utilize the overseas bases of Aisin Seiki, Aisin AW and Aisin AI to set up an efficient production structure across the entire Powertrain VC. For example, we are considering shifting the roles of personnel and equipment at some of Aisin AI's overseas production plants from manufacture of manual transmissions to manufacture of automatic transmissions.

In the field of electrification, as a response to the switching demand from automatic transmissions to hybrid transmissions, we are developing a one-motor hybrid transmission, for which demand is currently growing in Europe. This product combines a motor with our existing automatic transmissions and can be manufactured by using the equipment already in place. We will also devise ways to use the same equipment even when there is a change in component by refining our production processes.

For EVs and FCVs, we are forging ahead with development of motors and inverters based on the knowledge we have accumulated in the field of

hybrid transmissions. Aisin Seiki and Aisin AW had separately developed motors and inverters in the past, but we consolidated development resources into Aisin AW two years ago and have thus strengthened our development structure.

Ihara: Does it mean that the development process, which had been undertaken solely by Aisin AW, has become a task of the entire Powertrain VC?

Ozaki: Yes, and it also means we have more options now. Over the medium to long term, electrification and other changes in vehicles will also entail changes in powertrains; therefore, one of our important action themes is how we envision our future in response to such changes.

Ihara: Besides development and production, are there any other collaborative efforts, for example, in sales activities?

Ozaki: We just started collaborative sales activities and have asked sales personnel of each company to think about what approach we should take in order to encourage customers to use the products of the AISIN Group. The entire Powertrain VC is exploring ways to deliver excellent products, not just powertrains alone but as a system encompassing everything from engines to transmissions.

Chassis & Vehicle Safety System VC

Ihara: The Chassis & Vehicle Safety System VC handles brakes and everything that relates to operating, turning and stopping. What are your specific initiatives?

Ogiso: Currently, we are promoting the sharing of information on each VC, its tasks and the business environment and working to determine the direction our full-scale efforts should pursue. While doing so, we have decided to deliver products that are truly valuable and globally competitive. We are now in the stage of discussing specific initiatives based on this policy.

Ihara: Could you provide examples of products that are new and globally competitive?

Ogiso: We have rolled out activities in three fields. One is the field of automated driving and preventive safety, which is extremely important and requires deliberate strategies. Specifically, we are discussing to encourage the collaboration between the automated valet parking technology and vehicle dynamics control technology, which are mainly promoted by Aisin Seiki and ADVICS, respectively, in our Business VC and exploring how we should translate the two into products that will be useful for the public. The second is the field of chassis control currently undertaken by Aisin Seiki. Combining chassis control with a brake offers many possibilities. For example, suspension control and brake control had been designed separately, and an automaker had combined the two into its vehicles. This is inefficient and precludes new ideas. Thus, we are engaging in an activity to consider a suspension system and a brake system simultaneously, and to offer a better packaged solution. The third is the field of brakes. ADVICS had been in charge of this field, but electrification of parking brakes has necessitated system development for both disc and drum brakes. Controlled brakes are also required to offer higher performance at a lower cost. Since the AISIN Group's strengths lie in electromechanical products that combine an actuator and an electronic control device, we need to find ways to better integrate a motor, driver and an ECU. Occasionally, we will also need to collaborate with the ICT & Electronics VC and Powertrain VC to reinforce our overall capabilities.

ties. While conducting these three activities, we will continue to take on challenges in new fields during the following year.

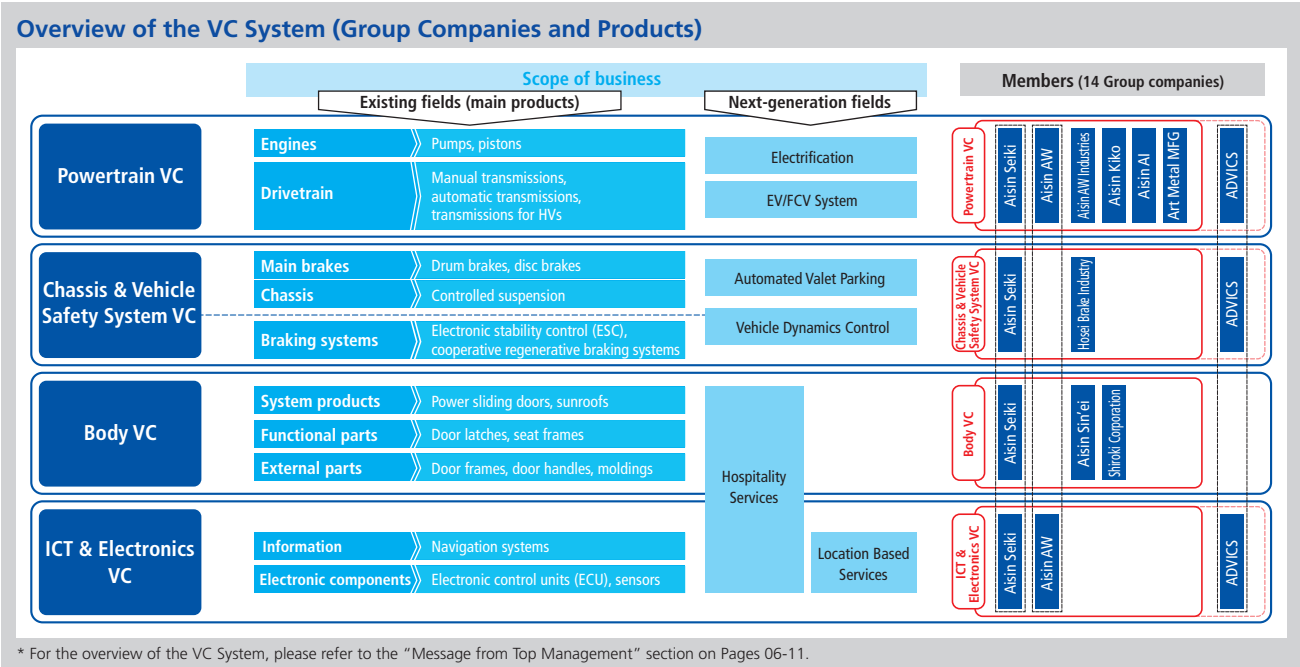
Body VC

Nishikawa: First, for increasing the competitiveness of existing products, we rolled out "best mix" activities last year to extract the strengths of each of the three companies. These activities have begun to show some good results. We will reinforce plant operations by unifying quality management standards and operational management methods of the three companies, and facilitating personnel exchange. Next, in terms of reorganizing our supply structure, transfer of production operations among plants in Japan has been proceeding at a good pace, but we have not started this process for our plants outside Japan. We will discuss the matter thoroughly and strive to ultimately build an optimum supply structure across the world. In the area of development of next-generation products, we will take on challenges of conducting development activities under the Hospitality Services Working Group (WG) in collaboration with the ICT & Electronics VC and adopting new materials, including aluminum and carbon fiber reinforced plastic. For these purposes, we will establish a Development Committee within the Body VC to narrow down a list of items that will be developed jointly by the three companies to 14 and promote development in an efficient manner.

Also, we intend to nurture skilled leaders who can take initiative in these cross-company activities. **Ihara:** For hospitality services, I hope you will strengthen collaboration within the Group and increase our capabilities to offer solutions in concrete terms by working with the ICT & Electronics VC.

ICT & Electronics VC

Uenaka: We assume two roles in our operations, with the Tier 1 role as a primary supplier for automakers, mainly handling car navigation systems, and the Tier 2 role as a secondary supplier handling components, such as ECUs for automatic transmissions. In the Tier 1 role, there is an issue of how we should respond to the evolution of car navigation systems. Our strength lies in that we have vehicle





Masahiro Nishikawa
President
Body VC



Hiroshi Uenaka
President
ICT & Electronics VC



Makoto Mitsuya
Executive Vice President
Aisin Seiki Co., Ltd.

information. In addition, Aisin AW had originally been handling high-precision map information. We intend to effectively combine these pieces of information with information equipment and jointly create new value with automakers. We are also looking into the creation of new Business to Business (B to B) services. In the Tier 2 role, we are required to offer even higher functionality and quality at lower costs, and this makes combining our products with IT systems more important. Along with technology development, we will make efforts to change our way of working. This means that within the VC System, we will assume a "Tier 1.5" role and foster collaboration in undertaking our tasks.

Ihara: Japanese manufacturers are forced into a difficult battle in this area, as is the case for semiconductors. Does the AISIN Group have a chance to take a competitive lead in this area?

Uenaka: We can differentiate ourselves by combining mechanical and actuator-related products, a source of the AISIN Group's strengths, with ICT and electronics devices. We aim to channel more resources into this area and win out over the competition.

Ihara: We opened the Daiba Development Center in April 2017. What is your plan regarding personnel recruitment?

Uenaka: It takes time to nurture human resources. But we cannot wait that long. We need to cultivate the capabilities of our workforce through mid-career recruitment and other means.

Group Head Office

Mitsuya: For several decades, each company in the AISIN Group had conducted business separately. Taking the opportunity of the launch of the VC System, we need to reform this mindset by thinking what is best for a consolidated group, not for an individual company, and by questioning ourselves if our conventional way of working really generates value. As a first step, the Group Managerial Administration Sector will create a common platform by, for example, standardizing our accounting systems. We will then utilize AI and robotics technologies to automate routine operations and simple analysis and decision-making processes. Resources

that have become available through higher efficiency will be allotted to overseas bases, to which we wish to add better management capabilities or assign more advanced, strategic operations. The Group Functions Sector will identify operations that are better conducted together in the areas of procurement, logistics, basic research and development, and leverage the scale advantage of the AISIN Group as an effort to achieve improvement.

Ihara: The Group Managerial Administration Sector provides good examples of integrated operations and unified systems of personnel affairs, accounting and public relations. On the other hand, the Business VCs and the Group Head Office have their own development, production, products, procurement and sales functions, just like before. The VC System will not work if we fail to define the clear roles of the Group Head Office and each Business VC. How will the Group Functions Sector handle the matter?

Mitsuya: We are indeed discussing with each Business VC about the roles of the Functions Sector. We will sort out our operations by first clarifying which operations are better conducted jointly.

Ihara: Taking procurement activities as an example, the system of purchasing main components at each Business VC and buying items that are suitable for bulk purchase, such as materials and electronic components, at the Group Head Office is a good, simple example. I hope you can achieve a similar separation of work in the areas of production engineering and development.



State of the VC System and Message for the Future

Powertrain VC

Ozaki: I felt certain that the VC System will be successful when I first addressed employees at the launch ceremony in April. As time passes, we will be able to build a heightened sense of unity within the Business VC. We are very thankful for receiving many inquiries from customers in the powertrain field. We will work to capture every chance and contribute to the growth of the entire Group.

Chassis & Vehicle Safety System VC

Ogiso: We at the Chassis & Vehicle Safety System VC are also feeling confident. Being able to talk to each other beyond the Group's corporate borders is extremely valuable and is expected to generate a great outcome. We have many competitors in the chassis and vehicle safety field. To prevail over the competition, we absolutely need to transcend corporate borders and have frank discussions. We will facilitate exchange of honest opinions among the members of the VC System, draw on their individualities and work with a passion toward our goal.

Body VC

Nishikawa: The VC System has been a driver of inter-company personal exchange. We will continue to expand this circle of exchange because we believe that natural interaction among people creates a strong system. Currently, the three companies are tackling issues for improving efficiency and utilizing "extra" resources generated through higher efficiency to expand our business. We will use the VC System effectively and work steadily toward enhancing the appeal of our products and increasing sales.

ICT & Electronics VC

Uenaka: The VC System has changed the atmosphere positively. We had collaborated within the Group in the past, but what differs most from our past initiatives is that members are very eager to provide ideas on what they would like to do. We already have 92 such action ideas. Achieving an outcome for each as early as possible will lead to the generation of new ideas on what to do next. We would like to establish such a positive cycle.

Group Head Office

Mitsuya: The Group Head Office started discussing about the VC System with each company around February of this year. Because there was only a limited time, we received varying opinions about the system at first. But as we explained our aspiration in detail, they gradually showed deeper understanding. We would like to set up a positive activity cycle by accumulating example cases, which make us feel we did a good thing and naturally create a sentiment to do more. About five years ago, we had conducted Group collaboration activities. Executive officers who gathered at that occasion were wearing different company badges, and I asked them to take those badges off and talk as members of the AISIN Group. We have only one badge today, and I no longer have to ask them to take it off. The entire Group will work as one team for the future of the AISIN Group.

Ihara: The VC System is, in fact, an extreme measure designed to secure the future competitiveness of the AISIN Group. In the age of great uncertainty, it is difficult to attain greater competitiveness through a work style that exists within the context of conventional ideas. Thus, the most important objective of the VC System is to reform our way of working and increase our competitive edge. The entire AISIN Group will strive together to continue to evolve through trial and error, meet the expectations of our stakeholders and move ahead to enhance our competitiveness.



Special Feature 2 Discussion between an Analyst and Executive Vice President

What are the financial strategies that support the AISIN Group's growth?

Makoto Mitsuya
Executive Vice President, Aisin Seiki Co., Ltd.

Improving Profitability by Enhancing the Efficiency of Business

Nakanishi: I have observed the AISIN Group's growth pattern for 20-plus years and believe the Group has steadily achieved solid growth. What will be the key points for enabling the AISIN Group to maintain this growth?

Mitsuya: I believe that improving the profitability of our businesses will be the most important point for allowing the Company to continuously realize sustainable growth. As indicators of our profitability, we emphasize the operating profit margin, the break-even point ratio and return on equity (ROE).

In recent years, we have promoted two important activities for improving the operating profit margin. One of these is problem-solving activities for quickly improving profit margins on any current products having poor profit margins, with efforts focused on improving manufacturing. For example, in fiscal 2016 one of our products had a negative profit margin of 30%, but through problem-solving activities we turned this into a positive margin. The second activity is business restructuring. This restructuring aims at raising the Group's competitiveness by transforming our business structure with the involvement of other companies in five areas consisting of manual transmissions (MTs), brakes, seat frames, body parts and pistons.

Nakanishi: Could you discuss any numerical targets you hope to attain in the future through these

improvement activities?

Mitsuya: Maintaining sustainable growth even in an age of dramatic change is important. We are working to improve our profit structure by trimming fixed costs and developing high-added-value products to maintain a corporate structure capable of withstanding events such as the so-called Lehman shock. Specifically, we aim to realize a break-even point ratio of 80% or lower even with an exchange rate of \$1/¥100. Although we will reduce fixed costs, I should point out that we also need to actively invest for development in next-generation fields. For this reason, we must decisively eliminate wasteful areas to realize a balance in the way we allocate funds.

Nakanishi: The collaboration of the entire AISIN Group is crucial for promoting profit structure improvements. Carrying out business globally through numerous consolidated companies and sub-consolidated companies is certainly a strength of the AISIN Group. Alternatively, I believe that operations through 207 companies lead to a variety of issues in terms of optimization. What are your thoughts on this?

Mitsuya: Until now, the AISIN Group promoted sustainable growth by spinning off into separate companies any businesses that attained growth and then raised its expertise in these particular fields while achieving agile operations. However, this approach also had inefficient aspects. Because each company pursued its own growth, this led to a duplication of human resources, technologies and other resources among different companies. A prime example is that

After undertaking business restructuring in five areas from fiscal 2016 and implementing "problem-solving activities" in fiscal 2017, the AISIN Group introduced a Virtual Company (VC) System aimed at further raising competitiveness as it approaches an age of dramatic change.

To explain to shareholders and investors about the financial measures that will support the AISIN Group's growth and evolution, we welcomed global automobile industry expert Takaki Nakanishi for a dialogue with Executive Vice President Makoto Mitsuya, who is in charge of finance. Here we introduce our basic stance, policies and strategies concerning finance as well as the valued insights of Mr. Nakanishi.

Please read this section in conjunction with the "Message from Top Management" on Pages 06-11 and with "Virtual Company Presidents' Roundtable Discussion" on Pages 12-17.

Takaki Nakanishi
Analyst

the same products were being produced by multiple Group companies.

Nakanishi: One benefit derived from the separate-company system is mobility that is also one of the Group's strengths. Nonetheless, I also began to sense that in many ways you faced issues concerning poor efficiencies because of this approach. How would you generally assess this point?

Mitsuya: Regarding the poor efficiencies you mention, we have agency costs (conflicting opinions among Group companies) and duplications in functions sectors and in managerial administration sectors. Let me give you an example. Our Group companies possess and independently operate the entire range of functions such as human resources, legal affairs and accounting functions. This has enabled each company to build systems and frameworks for optimal operations. On the downside, these individual systems and frameworks are not always optimal from the broader perspective of consolidated operations and collectively often hindered overall efficiency.

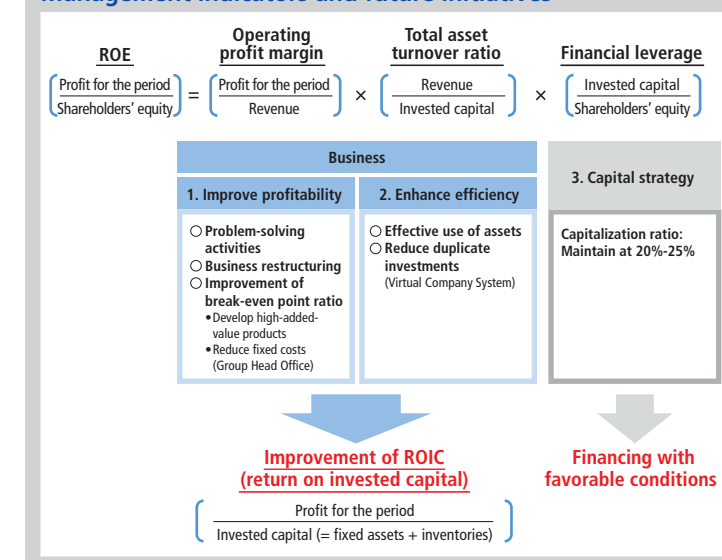
We are moving decisively to solve this problem of poor efficiencies. In April 2017, we newly launched the Group Head Office and are consolidating and standardizing the functions and managerial administration sectors. Moreover, to accelerate the reduction of fixed costs, we intend to proactively utilize robotics and artificial intelligence (AI). In the functions sector, we will undertake joint procurement, joint logistics and joint development in the field of the Internet of Things (IoT). In the managerial



Takaki Nakanishi
Analyst and CEO, Nakanishi Research Institute, Co., Ltd.

Takaki Nakanishi has extensive experience that includes management, quality controller and a publishing analyst from both the sell-side (securities companies) and buy-side (fund management companies). Mr. Nakanishi has been in charge of research in the auto industry continuously since 1994 and has maintained his solid position. He ranked 1st in the U.S. Institutional Investor All-Japan Research Team Rankings for the auto sector for six years running from 2003 to 2008 and was also first in the Nikkei Veritas Analyst Rankings in the auto and auto parts industry over the same period. After returning to the sell-side in 2011, he was ranked first in 2013 in both the Institutional Investor All-Japan Research Team Rankings and the Nikkei Veritas Analyst Rankings in the auto industry. Mr. Nakanishi has authored numerous books including *Toyota versus Volkswagen—Strongest Company Aims to Be Champion in 2020* (Nikkei Publishing Inc.) and *2020 "Group of Winners" Automakers* (Nikkei Publishing Inc.).

Management indicators and future initiatives



administration sector, we will unify human resources and accounting platforms and promote simplification and consolidation to further enhance efficiency.

Improve Investment Efficiency through the VC System

Nakanishi: Investment efficiency is also a key factor in raising business profitability and indicators of investment efficiency such as return on invested capital (ROIC) have also attracted attention in recent years. When calculating the AISIN Group's ROIC, with invested capital in inventories and fixed assets, the Group's ROIC ranks slightly lower than that of principal companies in the Toyota Group. Meanwhile, ROIC for some European and U.S. global suppliers and mega-suppliers is nearly twice as high. The likely reason for this disparity is that both the good aspects and bad aspects of your separate-company operations are intermingling. What are your views on this issue and what visions for group collaboration are you formulating?

Mitsuya: ROIC for our overall business is in the vicinity of 10%, our weighted average cost of capital (WACC) is 5%–6% and our returns surpass financing costs. Still, I realize more work is needed to improve our returns. Through the recent launch of the VC System, we will transcend the frameworks of individual companies and promote the efficient utilization of resources such as people, goods, technologies and know-how from the viewpoint of consolidated operations and VCs. In parallel, we will eliminate wasteful areas and duplicate costs to hold down invested capital. For profit improvements, we will work to integrate the technologies of each company and quickly create high-value-added products.

Powertrains have evolved along the lines of MTs, automatic transmissions (ATs) and hybrid transmissions. However, there are disparities in the diffusion rates of these products depending on the country and region. For example, in Japan MTs have a low market share while in emerging countries MTs are mainstream products in some regions.

Within the AISIN Group to the present, separate companies handled MTs, commercial-use MTs and ATs in the powertrain business, which requires huge investments. This created an increasingly weighty investment burden on the entire Group. Viewing this situation from the perspective of the newly formed Powertrain VC, we are now able to expand the use of MTs and old AT facilities in Japan to emerging countries and shift assets in the MT business toward ATs or next-generation products. The establishment of the VC System has made it possible to take actions not possible previously under the separate-company system.

In our Body business, we had duplications in some

areas of business undertaken by three companies, Aisin Seiki, Aisin Sin'ei and Shiroki Corporation. With the recent introduction of the VC System, we intend to reorganize and consolidate our Body business.

We also plan to raise competitiveness and attain economies of scale for external products and functional products such as door frames, outside door handles and seat components by integrating these products into the operations of Shiroki Corporation and Aisin Sin'ei, which boast strong cost competitiveness. At the same time, Aisin Seiki will turn its focus toward specializing in such system products as power sliding doors and sunroofs to create high-value-added products. By concentrating resources in respective areas of expertise in this manner, we aim to improve profitability in the Body business and thereby improve ROIC.

Nakanishi: I really feel the same way about your current growth strategies. A rise in ROIC indicates that your fundamental capabilities and true capabilities encompassing investment capacity for future growth are increasing. For this reason, I look forward to closely watching your future initiatives. That said, the entire AISIN Group will not suddenly change overnight even with the start of the new VC System. It will probably be necessary to share top management's vision of the company with employees and business partners, gain their understanding and then put this vision into practice. Clarifying key performance indicators (KPIs) such as ROIC as a framework for this vision will also be important.

Mitsuya: Regarding the points you have cited, we will formulate guidelines for various initiatives, including fixed costs, assets and investments, with a target date of mid-2017, and integrate each VC strategy into these guidelines.

AISIN Group's Capital Strategy

Nakanishi: A capital strategy is also important in supporting initiatives for improving the profitability and enhancing the efficiency of your businesses. What are your thoughts on this?

Mitsuya: The Company's capital strategy is based on the fundamental policy of maintaining a balance between financial safety and capital efficiency while raising corporate value.

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 for our long-term debt.

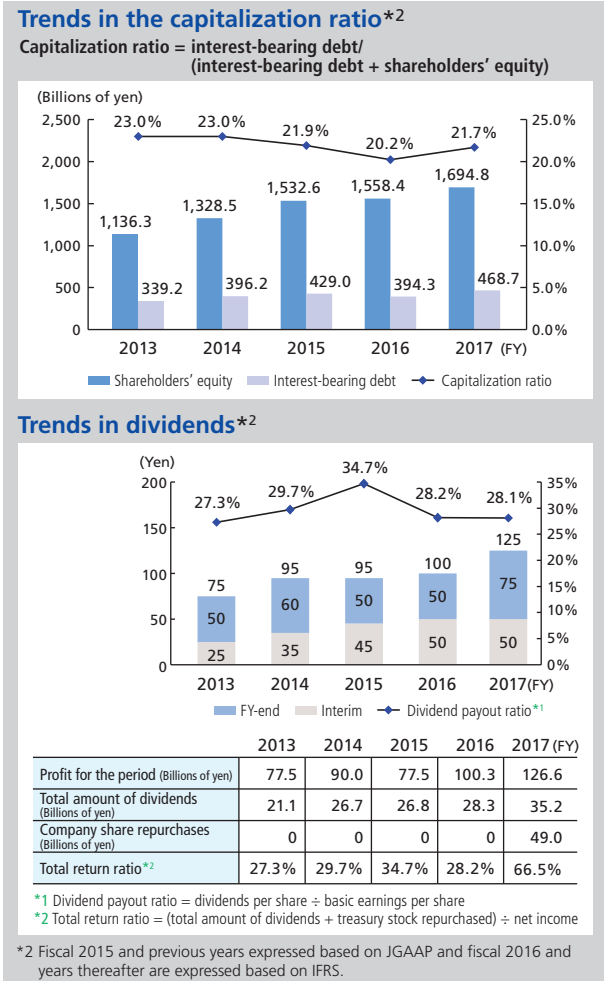
Regarding capital efficiency, we strive to reduce our overall cost of capital by placing priority on debt

financing within a range that allows us to maintain our credit rating and contain the scale of our capital.

In keeping with this policy, we are working to undertake appropriate and flexible financing while considering the balance between debt and equity capital. We use the capitalization ratio in considering this balance.

Specifically, we believe that a ratio from 20% to 25% represents an optimal balance and by maintaining this balance over the long term we have obtained AA and A+ ratings.

I believe that basically cash on hand should be maintained at a level of slightly less than two months, which includes commitment lines*1. For long-term debt, we systematically undertake borrowing to ensure repayment is not concentrated within a specified period. Also, by introducing a cash management system (CMS), we have created a capital strategy for consolidated operations and are effectively utilizing funds within the AISIN Group.



Ratings

(As of May 2017)

	Long-term	Short-term
S&P Global Ratings	A+	A-1
Rating and Investment Information (R&I)	AA-	-

Regarding shareholder returns, we have maintained a dividend payout ratio at the 30% level based on our policy of paying stable dividends. In addition, we consider buybacks of Company shares giving consideration to time-to-time capitalization ratios and future investment trends. Most recently, in fiscal 2017 we repurchased 10 million shares of Company stock at a cost of ¥49.0 billion and in fiscal 2018 we plan to repurchase 10 million shares of Company stock with an upper limit cost of ¥70.0 billion.

*1 A contract that allows borrowing within a predetermined time and limit amount by paying a commission fee.

Toward the Sustainable Growth of the AISIN Group

Nakanishi: In closing our dialogue, could you please share a message with shareholders, investors and other stakeholders?

Mitsuya: For the time being, I believe the AISIN Group can maintain constant growth centering on ATs. While achieving this growth, steadily securing profits will be crucial and I am confident that by firmly investing these profits in next-generation growth fields we can continue to realize sustainable growth into the future. Going forward, we will implement measures to make all stakeholders truly glad to be involved with the AISIN Group and so I ask for their continued understanding and support.

Nakanishi: The reforms you are undertaking through the VC System will play an extremely vital role not only just for raising financial performance but also for constantly maintaining competitiveness. I have high expectations that these reforms will create outstanding results for the AISIN Group. Thank you for participating in this dialogue today.

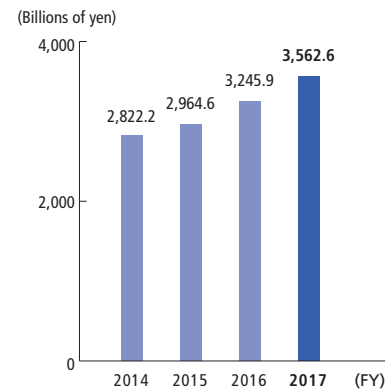
Mitsuya: The entire automobile industry is approaching a major turning point that is said to occur once every hundred years. There is great significance in reevaluating the management strategies from here on based on the VC System. The success of our future growth hinges on the VC System and so we will make our utmost efforts to achieve excellent results. Finally, I am the one who should thank you for participating in our discussion.



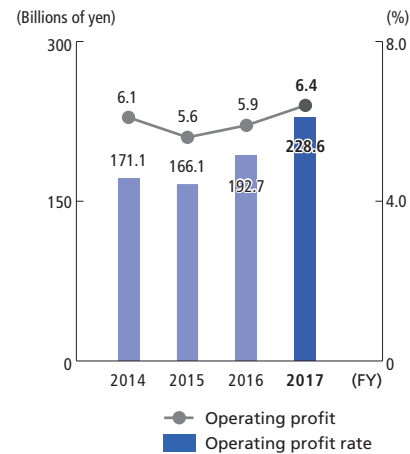
Consolidated Financial and Non-Financial Highlights

*Fiscal 2015 and previous years are expressed based on JGAAP and fiscal 2016 and years thereafter are expressed based on IFRS.

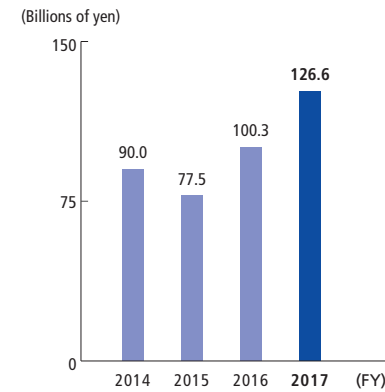
Revenue



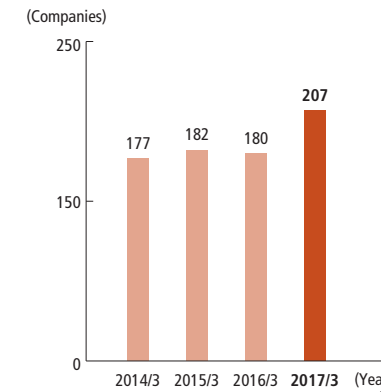
Operating profit/ Operating profit rate



Profit for the period (Profit for the period attributable to owners of the parent)



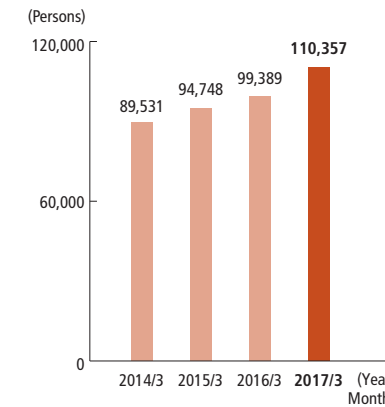
Number of Group companies



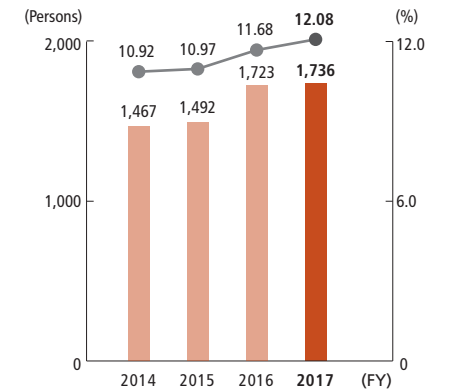
*Includes Aisin Seiki

*Excludes equity-method affiliates

Number of employees



Number of female employees

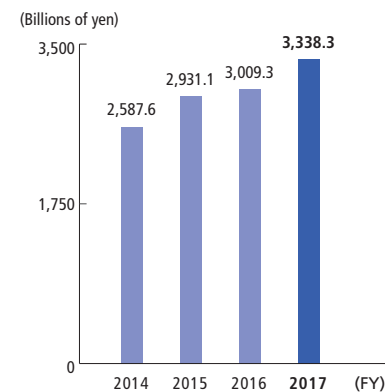


*Aisin Seiki

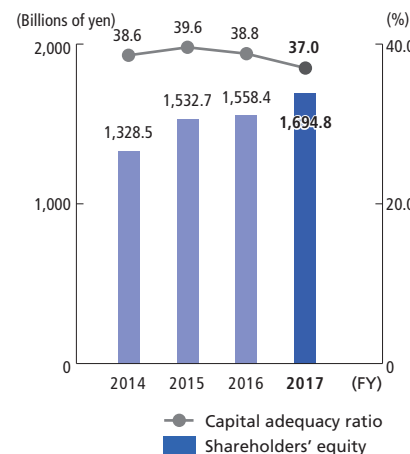
● Percentage versus regular employees

■ Number of female employees

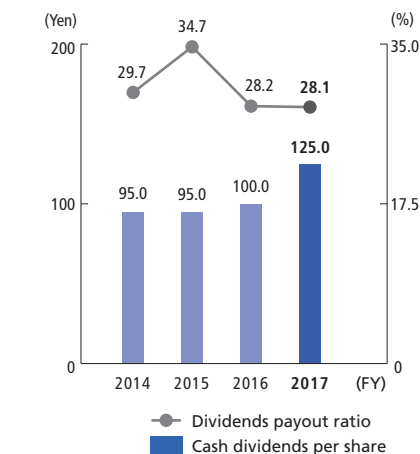
Total assets



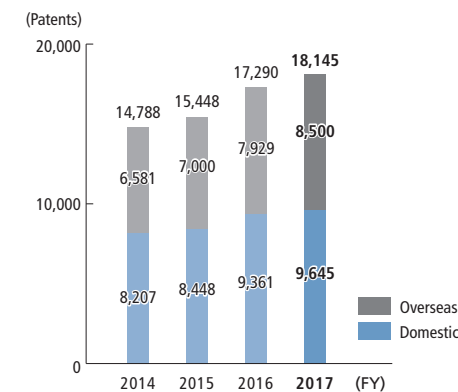
Shareholders' equity/ Capital adequacy ratio



Cash dividends per share/ Dividends payout ratio



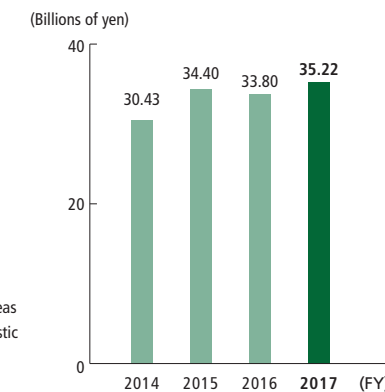
Patents held by the AISIN Group



*13 main Group companies

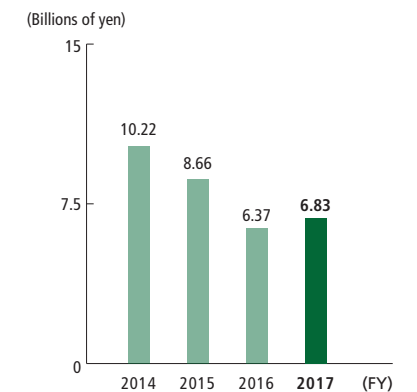
*Includes patents held by Shiroy Corporation from FY2016

Environmental conservation costs (Total for 31 domestic Group companies)



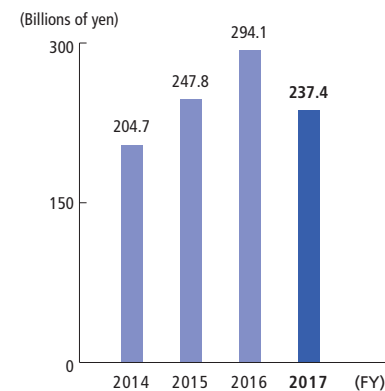
*The scope of aggregation was changed from 33 companies in FY2014-2015 to 31 companies in FY2016 and 32 companies in FY2017.

Effects of environmental conservation measures (Total for 31 domestic Group companies)

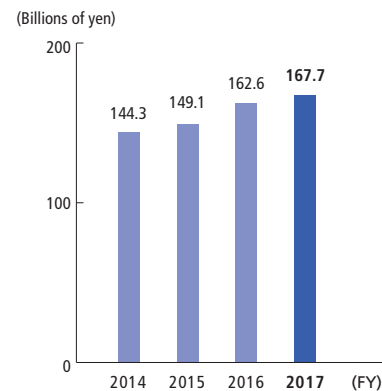


*The scope of aggregation was changed from 33 companies in FY2014-2015 to 31 companies in FY2016 and 32 companies in FY2017.

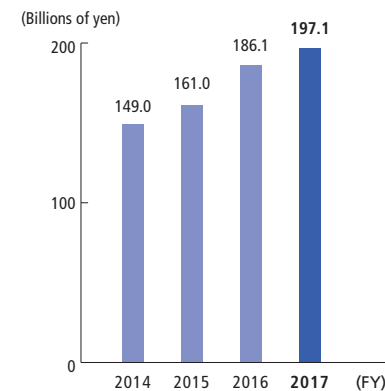
Capital investment



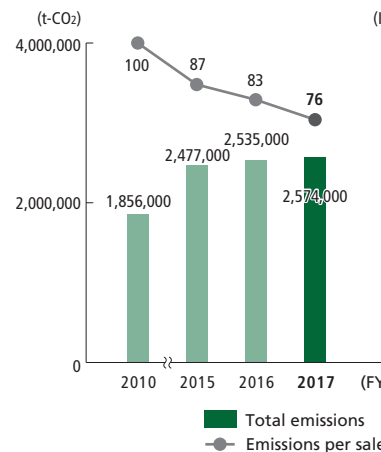
R&D expenses



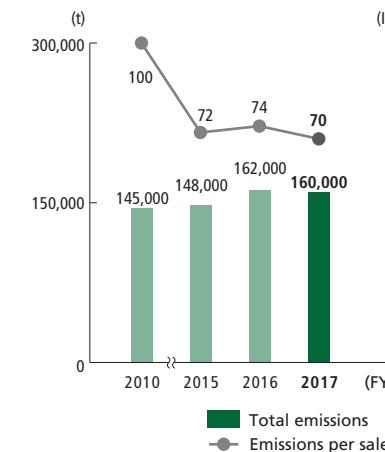
Depreciation and amortization



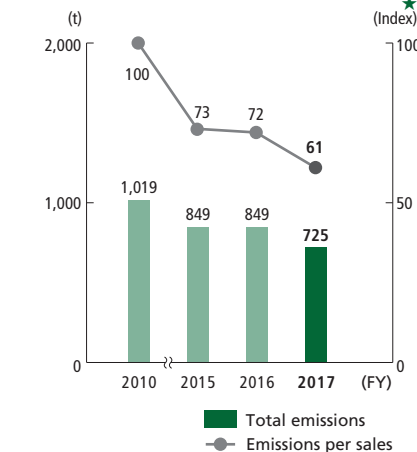
Total CO₂ emissions per sales (Global)



Waste emissions per sales (Consolidated domestic companies)



VOC emissions per sales (Consolidated domestic companies)



★ The index used for emissions per amount of sales is calculated on the assumption that the base year for targets set out in the Sixth Environmental Action Plan is equal to 100.

Fiscal 2017 was a year in which we solidified our management foundations by strengthening the competitiveness of our existing businesses and launched initiatives to drive future growth.

■ Business environment

The business environment surrounding the automobile industry in fiscal 2017 was robust worldwide due to an increase in unit sales of new cars in the major markets of North America, Europe and China. Sales volume also exceeded the level of the previous fiscal year in Japan, with solid sales of new cars, particularly compact cars.

In keeping with our aim of being “A vibrant company that possesses true competitiveness and proposes new value,” the AISIN Group took steps to enhance competitiveness, develop innovative technology and bolster manufacturing capabilities.

■ Review of business results

In fiscal 2017, revenue amounted to a record high ¥3,562.6 billion due primarily to brisk sales worldwide of automatic transmissions and automotive body parts coupled with contribution from the newly consolidated Shiroki Corporation. An historic high was also posted in operating profit with a result of ¥228.6 billion. This was due to sales growth and the effects of activities to strengthen earnings structure, such as cost reductions, as well as a gain on stock swap with Shiroki Corporation, despite unfavorable factors that included restoration costs following the Kumamoto earthquakes and foreign exchange translation losses. Profit before income taxes and profit for the period attributable to owners of the parent were also at all-time highs, amounting to ¥237.3 billion and ¥126.6 billion, respectively.

In fiscal 2018, we are forecasting revenue of ¥3,670 billion and operating profit of ¥230 billion.

■ Status of damage caused by the Kumamoto earthquakes and recovery efforts

The Kumamoto earthquakes that struck in April 2016 led to significant damage to our Group company Aisin Kyushu Co., Ltd., forcing it to cease production temporarily. We would like to apologize for the concern caused to all shareholders and other parties affected.

Through the cooperation of AISIN Group companies, customers, suppliers and even companies that we do not ordinarily deal with, we relocated equipment and molds, and transferred 345 personnel from Aisin Kyushu to seven locations in Kyushu and seven in Aichi Prefecture. This large-scale initiative sought to enable alternate production so we could resume supply as quickly as possible. During that period, we worked with great urgency to restore operations at Aisin Kyushu and efforts were completed in the second week of August 2016. Following that, we gradually returned production equipment from the alternate sites and announced a resumption of production at Aisin Kyushu on August 22, approximately four months after the earthquakes.

April 16



Aisin Kyushu right after the earthquakes hit

April 23~



Alternate production was carried out at Toyota Boshoku Kyushu Corporation.

August 22



Aisin Kyushu's President Hiroshi Takahashi announced that production had resumed from inside the restored plant.

October 16



A celebration was held to acknowledge recovery from the earthquakes.

| Auto Parts Business |

■ Technology development

Needs in auto parts are evolving dramatically alongside diversification of lifestyles and values and various technological innovations. As these changes unfold, we have deployed the AISIN Group's wide-ranging resources to promote the development of new technologies based on our key themes of the environment and enhanced fuel efficiency, security and safety, and comfort and convenience.

This fiscal year the AISIN Group's products were employed in the LEXUS LC500 and LC500h luxury sports cars launched by Toyota.



Toyota's LEXUS LC500

⇒ Please refer to “TOPICS: Product Application” on the next page for details on product usage.



GAC Motor's GA8

Our various powertrain products have been employed in the new GA8 sedan by Guangzhou Automobile Group Motor Co., Ltd. (GAC Motor) this term.

⇒ Please refer to “TOPICS: Product Application” on the next page for details on product usage.

■ Sales activities

The AISIN Group strengthened sales promotion activities for companies outside the Toyota Group by leveraging advantages in our extensive product lineup and high quality. We are expanding dealings with automakers overseas in places like Europe and China every year, and overseas sales have now grown into a pillar of our business accounting for 39.9% of total sales at present. Going forward, we will look to further expand these dealings through the development of attractive products and sales promotion activities.

| Life and Energy Related Business |

■ Sales agreement with airweave Inc.

A decision was made to enter into a sales agreement with airweave Inc. for Aisin Seiki's ASLEEP brand of beds, bedding and furniture. Further, we aim to expand the market for advanced mattresses by helping with sales in-store and joint campaigns in order to increase sales opportunities for ASLEEP beds, and develop new products using the materials of both companies.

上質な眠りを、ずっと。
ASLEEP

Aisin Seiki's ASLEEP brand of bedding is developed to provide the ultimate in comfort while resting based on the concept of having the “best quality sleep, always.”

airweave

The company develops and markets bedding that uses its original “airfiber” material with the aim of delivering a high quality sleep.

■ Cogeneration system wins Energy Conservation Grand Prize

Our ENE-FARM TYPE S fuel cell cogeneration system for residential use won the Director General Prize of Agency for Natural Resources and Energy at the Fiscal 2017 Energy Conservation Grand Prize run by The Energy Conservation Center, Japan in recognition of having the world's highest power generation efficiency and smallest size.



ENE-FARM TYPE S

Making the unit significantly smaller means it can now be installed in tighter spaces.

TOPICS Product Application

Toyota Motor LEXUS LC500 and LC500h

Powertrain Business

10-Speed FWD Automatic Transmission

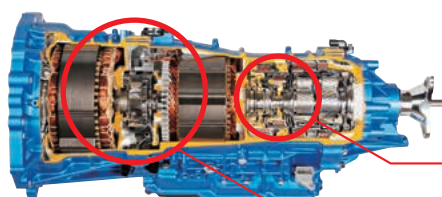
The 10-speed gear structure and world's fastest shift change allow for rhythmic driving while ensuring excellent responsiveness to driver's acceleration.



A 10-speed mechanism was installed in a space for a 8-speed unit through the use of compact components.

RWD Multi Stage Hybrid Transmission

The combination of a Multi Stage Shift Device with a two-motor hybrid transmission has resulted in exceptional acceleration force and low fuel consumption while driving at high speeds.



Multi Stage Shift Device

2-Motor Hybrid Transmission

Body Product Business

Active rear wing

The rear wing is stored away when driving at normal speeds to give the driver rearward visibility, and deployed at high speeds to enhance downward force and provide greater operating stability.



Stored at normal speeds



Deployed at high speeds

Pop-up door handle

This door handle is stored inside the vehicle body when driving but pops up automatically when the door is unlocked so the door can be opened. The vehicle's flush surface contributes to enhanced dynamic performance and design.



Chassis & Vehicle Safety System Business

Aluminum fixed type 6-pot caliper

This sophisticated caliper boasting excellent design is perfect for the LEXUS flagship coupe while contributing to more advanced driving performance through improved braking force thanks to a shift to the 6-pot mechanism.



The brake pistons (pots), of which there are six – three on either side of the calipers – firmly squeeze the disc rotor to realize exceptional braking power.

Active rear steering

This system controls the steering angle of a vehicle's rear wheels to improve stability at high speeds and enable tighter turns at low speeds.



Strengthened development for next-generation growth domains

Over the years, AISIN Group companies have honed their expertise across a wide range of product lines from powertrains to safety systems and auto body parts. In order to accelerate the development of new technologies that contribute to the automobile society of the future based on these core technologies, we have identified three fields for the Group to focus on, namely "zero emissions," "automated driving" and "connected cars." These fields are viewed as key in our mission to develop next-generation technologies, and with this in mind, we have initiated development activities through six working groups.

We will invest development resources held by the Group in a focused manner and look to swiftly develop products that anticipate new lifestyles.

Zero Emissions

Electrification

We are innovating electrification technology for our two-motor hybrid transmissions and motorized 4WD units in response to stricter fuel consumption regulations set for 2025. We are also strengthening development of one-motor hybrid transmissions, powertrain units for electric vehicles (EVs) and fuel cell vehicles (FCVs), as well as the motors and inverters for which they will be core technologies.



FV/FCV System

The EV Venture Project set up inside the AISIN Group aims to strengthen ties with Toyota Motor Corporation in concert with its effort to build better EVs. We will also offer new services from the perspective of the entire vehicle body, beginning with the powertrain and including auto body parts, chassis and electronics.

Automated Driving

Vehicle Dynamics Control

In automated driving and driving support systems, the AISIN Group enables integrated control of individual actuators related to key areas of a vehicle's behavior, namely driving, turning and stopping, including the powertrain, steering and braking, to realize greater safety, reliability and comfort.



Automated Valet Parking

We have developed a system that frees the driver from the burden of parking. After exiting the car at the entrance to a restaurant or hotel, the car will automatically move to a parking space, then return to the entrance automatically when it's time to leave. The fully unmanned parking will utilize map information and parking infrastructure information as part of the support system. The system is currently being tested.



Connected Cars

Hospitality Services

We offer services that turn a vehicle from a mere "tool" into a "smart and reliable companion" through the creation of a system to understand the movements and environment of vehicle occupants, and those about to enter the car. This will be achieved through development of a system for automatic operation of power sliding doors and seats.

Location Based Services

We offer a new information system that goes beyond conventional car navigation and the Vehicle Information and Communication System (VICS)*. New services that provide information on traffic conditions prior to leaving home are now available, as is a warning system that can use the camera of the car in front to identify a crash and inform cars that may be out of sight behind.



* This is an information and communication system that sends information on traffic congestion and regulation in real time and shows it on the car navigation screen using text or graphics.

GAC Motor GA8

Engine front module



Engine side module



6-Speed FWD Automatic Transmission

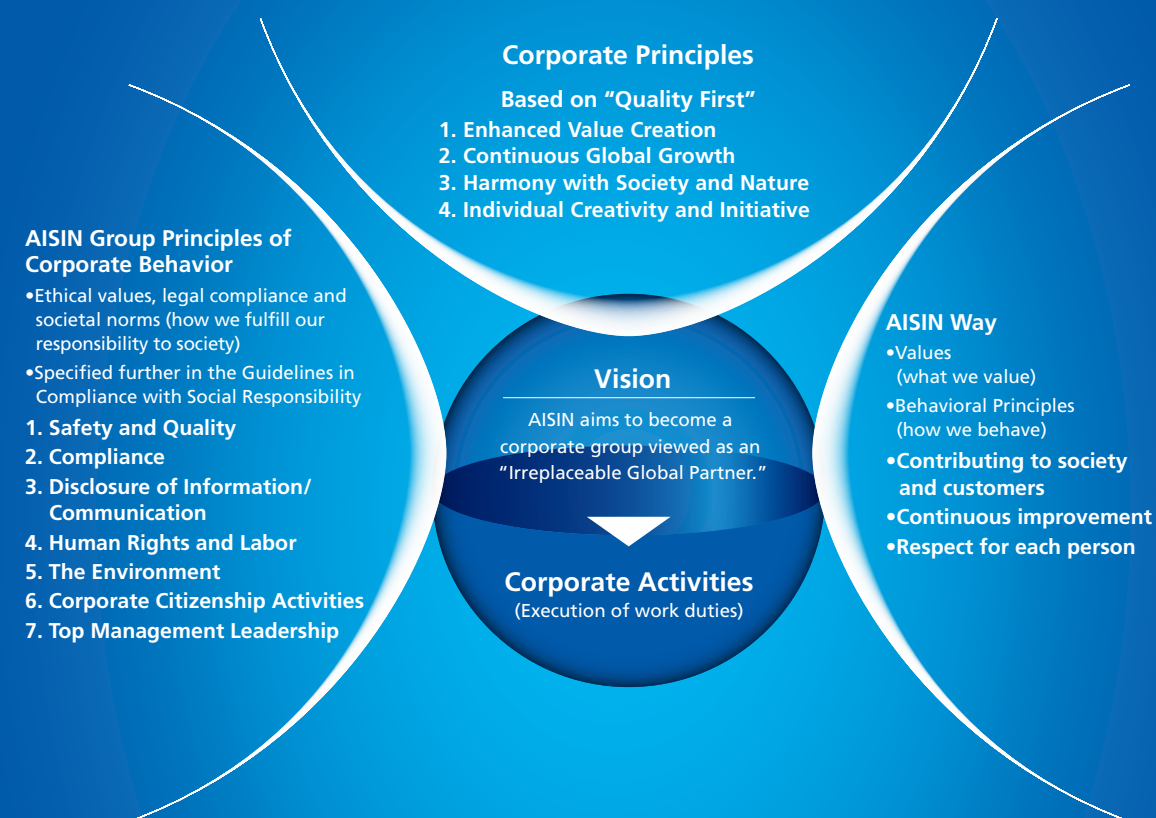


AISIN Group CSR

Aiming to Become an Irreplaceable Global Partner

The AISIN Group strategically develops corporate activities in accordance with its Principles of Corporate Behavior, the code of conduct established in January 2010, as a means of fulfilling its Corporate Social Responsibility (CSR). Initiatives are also being carried out under the AISIN Way, established in April 2007, which conveys the values and behavioral principles to be shared among current and future AISIN generations.

Additionally, under the AISIN Group VISION 2020 formulated in April 2012, we aspire to become "a role model of CSR around the world" by implementing and promoting initiatives and establishing specific action plans.



To further promote management that emphasizes CSR, *AISIN Group Report 2017* incorporated reporting that draws upon the seven core themes of ISO 26000, an international standard that provides guidance on the social responsibility of organizations.

28 AISIN Group CSR

- 29 Organizational Governance
- 32 Human Rights and Labor Practices
- 40 Environment
- 50 Fair Operating Practices
- 54 Consumer Issues
- 56 Community Involvement and Development

Organizational Governance

The AISIN Group places importance on developing fair and highly transparent management activities and is striving to strengthen organizational governance as a corporate citizen trusted by all stakeholders.

CSR Management

AISIN Group CSR activities contribute to the sustainable development of society and the earth

We believe that CSR is an essential aspect of corporate governance as the cornerstone that underpins the stable long-term growth of the AISIN Group. To put that into practice, we have established the AISIN Group Principles of Corporate Behavior, outlining our commitment to the sustainable development of society and the earth as a whole, and to developing and maintaining sound relationships with all of our stakeholders. These principles form the basis for a wider range of CSR activities.

We also extend these principles to overseas Group companies in light of the circumstances in respective countries and regions.

The AISIN Group Principles of Corporate Behavior are introduced via the AISIN Group CSR website.

Principles of Corporate Behavior



English poster

Chinese poster

Implementing corporate principles through education and enlightenment

The AISIN Group has formulated and is promoting the Guidelines in Compliance with Social Responsibility to provide concrete behavioral standards for all employees to fulfill the AISIN Group Principles of Corporate Behavior.

These guidelines have a Q&A section for each of the seven principles defined under the AISIN Group Principles of Corporate Behavior, namely Safety and Quality, Compliance, Disclosure of Information and Communication, Human Rights and Labor, Environment, Corporate Citizenship Activities and Top Management Leadership. This document serves to ensure that these principles are both easily understood and accessible in a booklet that is distributed to all employees.

Additionally, to promote employees' awareness of CSR and encourage business practices with CSR in mind, training (for employees) and management training (for managers) are conducted as part of rank-specific training programs.

Training for members of top management is also conducted at overseas locations

for the purpose of instilling an understanding of the AISIN Way, which conveys our values and behavioral principles.

Establishing committees to promote CSR activities

As a system to promote CSR, the AISIN Group has also established the Business Ethics Committee, the Risk Management Committee, the Company-wide Environmental Committee, the Export Trade Control Committee and the Central Safety and Health Committee. These committees formulate policies and targets, which should be shared throughout the Group, and make sure that these are reflected in activities of Group companies. They also verify the degree of achievement of each target and progress in the implementation of each measure at the semiannual committee meeting and by monitoring activities throughout the year to modify the plan or implement additional measures. Through these efforts, these committees are serving to further improve the level of each activity.

Corporate Governance

Aiming to operate with fairness and transparency

AISIN strives to develop amicable relations with all stakeholders amid its steady growth and expansion over the long term in order to maximize its corporate value. To achieve that, we believe that maintaining fair and highly transparent management activities is of paramount importance in our role as a good corporate citizen trusted by the international community. We are committed to enhancing corporate governance through measures such as appointing three outside directors and actively complying with the Corporate Governance Code, which the Tokyo Stock Exchange has brought into effect as part of a long-term strategic initiative implemented by the Japanese government.

Improvement and strengthening of the internal control system

Aisin Seiki is strengthening measures based on the Basic Policy Concerning the Establishment of Internal Control, which was approved by a resolution of the Board of Directors.

Specifically, after formulating activity policies through committees such as the Business Ethics Committee, the Risk Management Committee, the Company-wide Environmental Committee, the Export Trade Control Committee and the Central Safety and Health Committee, employees are educated on these policies through guidance and training. Aisin Seiki then carries out monitoring by committee members and internal auditing to verify the effectiveness of such activities through *genchi genbutsu* (go and see for yourself).

This series of activities is implemented on a global basis through meetings among AISIN Group companies and information sharing between functional departments. Additionally, a summary of all activities geared toward improving and strengthening internal controls is reported at a meeting of the Board of Directors held at the end of the fiscal year to verify the adequacy of these initiatives.

Top management training



We hold training for managerial-level employees at overseas locations.

■System

Aisin Seiki has adopted the Audit & Supervisory Board system and has established a General Meeting of Shareholders, Board of Directors and Audit & Supervisory Board as statutory bodies.

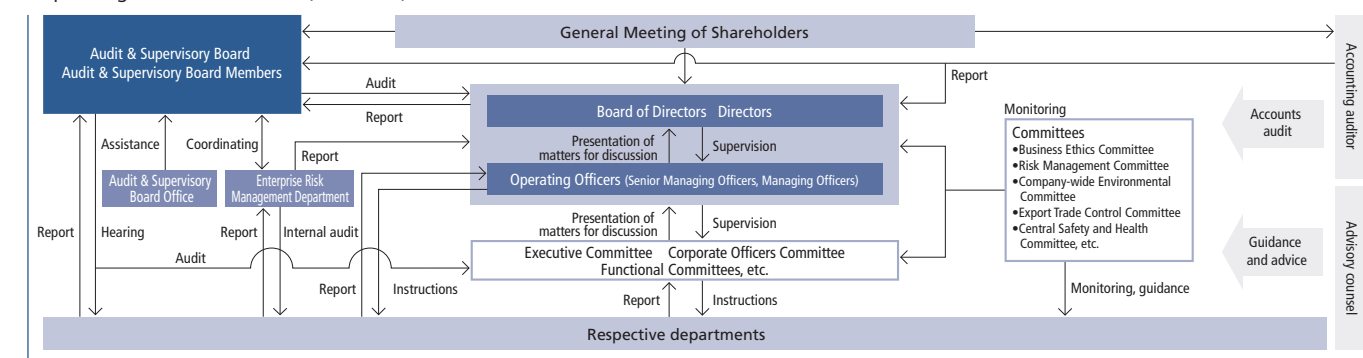
●Board of Directors

The Board of Directors meets once a month and is responsible for overseeing the execution of business operations and passing resolutions on important management matters.

●Audit & Supervisory Board

The Audit & Supervisory Board is comprised of five members, including three external Audit & Supervisory Board members. Together with monitoring the execution of duties by directors, Audit & Supervisory Board members monitor the status of affairs in respective business divisions to ensure that management and the execution of business operations are being carried out properly.

Corporate governance structure (Aisin Seiki)



Global audits and risk management

The AISIN Group identifies risks that could have a serious impact on its corporate operations. Group companies collaborate globally to strengthen the risk management system and enhance measures to prevent risks from materializing. The goal is to create a company with a strong resistance to risk.

In our global risk management system, the Risk Management Committee convenes a meeting of members of top management of Group companies in Japan as well as those overseeing operations in North America, China, Europe and Oceania to verify and analyze the Group's common risks and issues specific to each region, share information and implement measures in an effective manner. We will also work to improve and standardize our capabilities in this area by regularly holding the Practical Business Conference and the Liaison Conference consisting of persons in charge of auditing and risk management at the 14 main Group companies including Art Metal MFG Co., Ltd. from fiscal 2018.

Looking ahead, Aisin Seiki intends to further encourage cooperation within the Group and undertake integrated activities that combine auditing and risk management steadily and from a global perspective.

Dialogue with Stakeholders

Promoting CSR management through dialogue with stakeholders

The AISIN Group promotes CSR activities by placing an emphasis on dialogue with our stakeholders, including customers, shareholders and investors, suppliers, employees and local communities.

Example of Aisin Seiki

Customers

Main customer contact point: Customer Support Department

Through its Customer Support Department, Aisin Seiki strives to respond promptly, accurately and politely to customer inquiries regarding its lifestyle related products.

Suppliers

Main contact point: Purchasing Planning & Administration Department, Materials & Machinery Purchasing Department, Purchasing Group of Planning Department in respective product divisions

In order to promote collaboration with suppliers throughout the Group, we hold a New Year's party, technical exchange meetings, presentations on our Global Procurement Policy and other gatherings.

Shareholders and Investors

Main contact point: Finance & Costing Department

In addition to holding presentations on business performance and the announcement of financial results, we appropriately respond to individual interviews in a timely manner. Presentations on business results are also held for overseas investors in respective regions.

Employees

Main contact point: Human Resources Management Department

We value dialogue with employees and are working to facilitate such dialogue by promoting communication in daily operations and through Company-wide personnel exchanges, supervisor-subordinate interviews in the workplace, periodic labor-management gatherings and employee awareness surveys.

Local communities

Main contact point: General Administration Department

We are developing community-based social contribution activities unique to the AISIN Group at locations in Japan and overseas.



Human Rights and Labor Practices

In developing its business globally, the AISIN Group complies with international standards related to human rights and labor practices, as well as laws and regulations of respective countries and regions, while striving to create workplaces that are enjoyable and satisfying.

Respect for Human Rights

Basic policy regarding respect for human rights

Under the AISIN Group Principles of Corporate Behavior, we established the basic policy of respecting the human rights of all employees: "We respect the character, individuality and diversity of our employees and provide a safe, enjoyable and productive work environment in order to help them achieve a balanced and fulfilling life." The Guidelines in Compliance with Social Responsibility provide specific behavioral standards for the realization of the principles of corporate behavior and make clear statements prohibiting forced labor and child labor. Additionally, the AISIN Way clarifies values and behavioral principles to be shared among the Group that are timeless and global.

Respect for human rights education

The AISIN Group believes that human rights must be taken into consideration in all aspects of corporate activities. In addition to respecting the basic human rights of all employees, we conduct human rights education on various occasions, such as rank-specific training, training for new hires and training upon job promotions, affording employees the ability to take actions. Fair hiring practices and assurance of equality, in particular, are our first priority. In fiscal 2017, we held a seminar on fair recruitment practices by inviting an official of the Aichi Labor Bureau as a lecturer. Through this and other efforts, we worked to increase our awareness of fair hiring practices and respect for human rights mainly in our 19 Group companies.

Training recipients regarding human rights (Aisin Seiki) (Persons)

	FY2015	FY2016	FY2017
Newly appointed managers	191 (100%)	192 (100%)	124 (100%)
New hires	351 (100%)	472 (100%)	388 (100%)
Temporary hires	43 (100%)	69 (100%)	80 (100%)
Mid-career hires	137 (100%)	56 (100%)	64 (100%)

Figures in parentheses show training recipients as a percentage of personnel targeted for training.

Human rights training



We implement training on corporate activities and human rights.

Stable Employment

Basic stance

In order for the AISIN Group to provide stable employment, we need to become and remain a corporate group that is valued by society. Toward this goal, each and every employee needs to take an active role, grow personally and contribute to our achieving sound and sustainable business growth. This, we believe, will lead to stable employment over the long term.

Activities from a CSR perspective

To make sure that the AISIN Group perpetually exists in the international community, we fulfill our responsibilities as a corporate citizen and strictly observe international rules and various laws and regulations of respective countries and regions in which we operate.

In terms of ensuring stable employment, we have standardized the AISIN Group's basic stance and systems concerning personnel and labor affairs. By promoting the formulation of measures based on this standard and on laws and regulations of respective countries and regions, we are striving to reduce related risks and build sound labor-management relations.

Human Resources Development

Supporting the growth of each person by respecting individuality

At the AISIN Group, we are committed to developing human resources who are capable of viewing matters from a broad perspective and possess the diverse range of values needed to play an active role globally irrespective of gender, nationality or age. We respect the individuality of our employees as stated in our Guidelines in Compliance with Social Responsibility and provide education and training so that employees can make the most of their abilities based on the AISIN Way. To ensure that employees continue to find their work rewarding, we also implement initiatives such as devising suitable career plans for each individual and expanding areas of activity.

Development of global human resources

We are continuing to accelerate development of global human resources who are capable of engaging in global business. We are promoting three separate initiatives at Aisin Seiki, specifically top management training for personnel in management or executive positions at AISIN locations around the world; an overseas employee exchange system designed to develop young local employees at AISIN locations around the world; and a training program aimed at assigning young employees in Japan to overseas locations so that they can gain skills through on-the-job training (OJT).

Top management training

The aim of this training is to raise the capabilities of managerial-level staff so that overseas subsidiaries can operate more independently. This education also ensures that managers have an understanding of the AISIN Group's values and behavioral principles and are able to make appropriate decisions. In fiscal 2017, 15 persons took the management course targeted at management personnel and eight persons took the senior executive course. In fiscal 2018, we plan to provide the training to 48 persons.

Overseas training program for young employees

Aimed at developing Japanese employees capable of playing a key role across borders, we send young employees mainly in their 20s and 30s overseas for one year to expedite the process of acquiring global capabilities through overseas business experience based on OJT and by living in a different culture. We assigned six employees to this program in fiscal 2017 and are planning to assign 12 employees in fiscal 2018.

Overseas employee exchange system

We accept local personnel from other countries for a period of one year, with the aim of improving the operational capabilities of young key employees at overseas subsidiaries, particularly in emerging countries, and promoting internationalization among employees working in Japan. We accepted five staff from three countries in fiscal 2017 and are planning to accept five staff in fiscal 2018.

Top management training



Overseas training program for young employees



Aisin AW Advanced Skill Training Academy



Providing practical education to cultivate leaders of manufacturing operations

Nurturing technical personnel in the Group

We continue to work together to strengthen educational capabilities for local technical personnel throughout the AISIN Group and in line with global expansion.

To cultivate future leaders of manufacturing operations, we operate the Aisin Technical Academy and Aisin AW Advanced Skill Training Academy to provide education on practical technical skills for one year to staff members who have entered the AISIN Group in Japan and trainees dispatched from overseas. To date, a total of 5,775 members from Group companies in Japan have graduated from these academies. As for overseas trainees, we have accepted trainees from 29 locations in 10 countries, and these graduates are now playing key roles at overseas subsidiaries in supervisory or technical capacities. By the end of fiscal 2017, 35 trainees from China, Taiwan, Thailand, Indonesia, Turkey, Mexico and the United States gained practical skills and graduated from the academies.

Passing on knowledge and skills required of production staff

Previously, workplace-specific knowledge and skills had been conveyed in the form of "implicit" knowledge passed on in a manner that depended heavily on individual experiences and discretion. Thus, different workplace culture and skill levels of supervisors had caused discrepancies. In response, we transformed rules that should be observed and actions that should be taken by technical personnel into "explicit" knowledge. Through the AISIN Basic Seminars, in which supervisors instill the explicit knowledge in trainees with thorough, on-site guidance, we have been expanding our system and framework to pass on Aisin-style skills globally throughout the Group.

Developing vibrant human resources and workplaces

To develop further into a vital company capable of growing continuously as we look ahead to the next 50 years, the AISIN Group has been promoting the development of a pleasant and vibrant workplace culture. In fiscal 2018, we plan to conduct an employee satisfaction survey by using questions common to the six core Group companies and leverage the results in the Group's integrated human resources and workplace development efforts. Additionally, Aisin Seiki holds a management study session every March to raise the capability level of management in each workplace. All executive officers and department heads within Aisin Seiki as well as representatives from Group companies and overseas subsidiaries participate in this study session.

Harnessing a Diverse Range of Human Resources

Promotion of diversity

The AISIN Group regards the promotion of diversity management as an important management strategy in developing further into a vital corporate group capable of growing continuously and has accordingly been implementing various initiatives.

With more employees, both male and female, becoming able to work only in a limited capacity due to nursing care and other reasons in addition to child care, we are working to create an appropriate work environment as well as a workplace culture and framework to enable employees to demonstrate their capabilities to the fullest in every life stage and actively take on new challenges in their work. Aisin Seiki has set up a regionally limited training course in Japan for employees in managerial positions to reflect on and encourage a work-life balance. Aisin Seiki also holds the Iku Boss Academy for managers to engage each workplace in the task of promoting diversity. Through these initiatives, we are facilitating development of management-level employees who can achieve both a work-life balance and higher productivity.

Promoting more active roles for female employees

To enable female employees, who are increasing in number, to take advantage of career opportunities at the AISIN Group, and continue working in rewarding positions, we support their career development and work-life balance.

At Aisin Seiki, the Kirari Project, a project undertaken with commitment by top management by female employees selected from across the company to promote more active roles for women, is leading efforts to create a more comfortable working environment and better job satisfaction while working to identify appropriate solutions for issues by collecting feedback and ideas from each workplace. To date, we have launched a career development training program to assist female employees in building their careers, a mentor system based on individual medium-term development plans and a Career Development Program for Women (CDP) designed to foster individualized development of female employees aspiring to take managerial positions, all of which provide systematic support for women's growth. In fiscal 2017, we held a lecture by female employees who are serving as role models to share successful examples.

TOPICS

AISIN Relay Race

A total of 590 teams, including six teams from 23 overseas subsidiaries, participated in the annual AISIN Relay Race in fiscal 2017. More than 14,000 people, either as runners or supporters, enjoyed the scale of the event and demonstrated the unity, both of which were a result of the collaboration among the 207 companies in the AISIN Group.



TOPICS

Outcome of the Iku Boss Academy to achieve both a comfortable working environment and job satisfaction

The Iku Boss Academy has been established under the idea that supervisors hold the key to success in achieving a work-life balance of both male and female subordinates. In fiscal 2017, supervisors ("Iku-Bosses") who are supportive of the life and career of each subordinate and capable of improving their own work-life balance and able to attain business performance have grown to the level at which they can now share their successful experiences and provide additional motivation to other Iku-Bosses. In fiscal 2018, we will hold the third Iku Boss Academy program as an effort to nurture enough Iku-Bosses to assign to all departments.



Work-life balance support

At the AISIN Group, we provide an environment in which employees can choose from a wide range of work styles according to individual life stages. We are promoting initiatives to create an environment that makes it easier for employees to strike a balance between their lives at work and at home. At Aisin Seiki, we launched a telecommuting system and short working hour system for family care in fiscal 2017 to further enhance our measures to support work-life balance and encourage the use of available systems. In addition, we are proactively providing parenting support to male employees by expanding leave options for the purpose of child care.

[Measures to shorten work hours]

To encourage a work-life balance, concerted measures are taken between the management and employees with the aim of increasing the acquisition of shortened working hours and annual paid holidays.

- Annual work hours
Target: 2,100 hours by the end of fiscal 2018

[Work-life balance support system]

In addition to improving systems stipulated by laws and regulations, the AISIN Group establishes systems in order to further balance work and life.

<Examples at Aisin Seiki>

- Telecommuting system
Allows employees in administrative or engineering positions having a child aged eight or younger as of April 1 or a family member requiring nursing care to work a part of or full day from home.
- Short working hour system for child care
Allows employees having a child aged eight or younger as of April 1 to reduce work hours in accordance with the age of the child.
- Parental leave
Until the child reaches the age of 18 months or until the end of the fiscal year (March 31) in which the child reaches the age of one
- Family-care leave
Maximum of three years
- Short-term family-care leave
Allows employees to take a leave of 10 days a year for one person requiring nursing care or a leave of 20 days if there are two or more persons requiring nursing care.
- Anshin (secured) holidays
Employees can carry over up to 20 days of unused annual paid leave to cover personal illness, nursing care, childbirth or child care.

Creating a workplace in which persons with disabilities can thrive

On the basis of an approach rooted in the concepts of “normalization and harmonious coexistence,” the AISIN Group aims to develop a working environment in which persons with disabilities can thrive and work with a sense of satisfaction and to increase the employment of persons with disabilities. For the creation of such a working environment, we hold consultation sessions at each plant to improve the workplace environment. The Group also holds training sessions for 140 consultants and for workplaces that employ persons with disabilities. Moreover, we are collaborating with

Promotion of diversity (Aisin Seiki)		(Persons)		
		FY2015	FY2016	FY2017
Female		1,499	1,729	1,782
	Percentage versus regular employees	11.0%	11.7%	11.9%
Re-employment after retirement		413	405	372
	Percentage versus all employees	2.4%	2.4%	2.6%
Persons with disabilities		195	216	230
	Percentage versus all employees	2.0%	2.1%	2.2%
Foreign nationality		124	133	134
	Percentage versus regular employees	0.9%	0.9%	0.9%

Number of female employees hired and number of females in managerial positions (Aisin Seiki)		(Persons)		
		FY2015	FY2016	FY2017
Employment (regular)	Administrative staff*1	4 (11.4%)	11 (23.4%)	10 (25.6%)
	Engineer*1	7 (4.9%)	22 (13.1%)	13 (9.0%)
	Technical and skilled worker*1	11 (7.7%)	15 (7.9%)	30 (17.1%)
	Clerical worker	30	30	18
	Number of persons in managerial positions*2	32 (1.8%)	39 (2.1%)	46 (2.39%)

*1 Figures in parentheses show the percentage of females versus the number of employees hired.
*2 Figures in parentheses show the percentage of female employees in managerial positions.

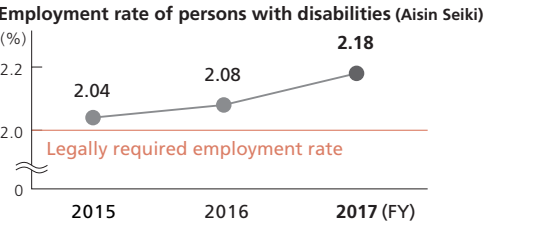
Number of employees using parental and family-care support systems (Aisin Seiki)		(Persons)		
		FY2015	FY2016	FY2017
Parental leave	Female	74	115	101
	Male	5	11	11
Family-care leave	Female	2	1	1
	Male	2	3	1
Short working hour system for child care (*Number of people who have used the system more than once)	Female	263	314	309
	Male	72	100	117
Short working hour system for child care (Registrants)	Female	292	332	340
	Male	387	483	499

* Number of persons taking parental and family-care leave is calculated based on the year in which the leave has started.

Average overtime worked (Aisin Seiki)		(Hours/month)		
		FY2015	FY2016	FY2017
Overall		35.9	36.1	35.9

Annual paid leave taken (Aisin Seiki)		(%)		
		FY2015	FY2016	FY2017
Overall		97.7	98.1	98.9

Average length of service (Aisin Seiki)		(Years)		
		FY2015	FY2016	FY2017
Overall		15.4	14.8	15.1
	Male	15.8	15.3	15.7
	Female	12.2	11.1	15.1



Group companies to work out solutions and establish an operating structure that includes individual affiliates.

Re-employment after retirement

The AISIN Group establishes systems for the re-employment of workers after retirement, including programs for limited hours or days of work, in response to varied requests from retirees. While observing relevant laws and regulations, we re-employ all interested personnel.

The six core Group companies are introducing the Power Up Seminar, which seeks to improve the abilities of employees who wish to be re-employed. This seminar targets all regular employees who are five years before retirement, and is aimed at promoting a widespread understanding of employment systems, identifying individual career paths and strengths and supporting various aspects such as creating individual study plans for the future. We are also working to increase motivation for re-employed individuals through initiatives such as establishing technical legacy coaching sessions aimed at passing on the advanced skills of re-employed individuals and by introducing a new retirement benefit system as part of efforts to further expand the re-employment of retirees.

Employee Safety and Health

A core principle of placing safety and health above all else

Based on the core principle of placing safety and health above all else, the AISIN Group continually strives to enhance the safety and health of all employees.

[Action Plan]

Promotion of workplace environment improvement with the highest priority on safety and health

[Three-Year Growth Phase Policy 2015-2017]

Share the perception throughout the entire AISIN Group that safety and environmental efforts are the lifeblood of continued business operations of a corporate group.

[FY2016-2018 Company-wide Policy]

Instill safety and environmental awareness and appropriate behavior, and achieve thorough compliance.

Aspiring to be the world’s most safety-conscious corporate group

Thirteen Group companies in Japan* are retaining a frequency rate and severity rate of work accidents that is well below the national average for the industry.

In fiscal 2017, in response to serious accidents in the past, the president of each Group company formulated specific action plans and accordingly started promoting activities fully focused on operation sites in order to lead the establishment of a safety culture with a sense of crisis. Based on each action plan and with the aspiration of becoming the safest corporate group in the world, we will continue to work jointly with employees, outside contractors, suppliers and on-site subcontractors to further improve our education, training and enlightenment efforts and promote relevant occupational health and safety activities that address changes in work processes and issues at operation sites.

*13 main Group companies in Japan: 13 companies including Aisin Seiki and Shirokei Corporation

Site-focused activities to resolve issues at operation sites



Achieving zero work accidents

We have a standard safety slogan in place across the entire AISIN Group: “Follow the guidelines, protect yourselves and protect your coworkers,” and have been striving to raise employee awareness. Since 2013, we have been organizing activities aimed at raising safety awareness throughout the Group on the day of the ALL AISIN Safety Declaration by simultaneously calling for compliance with safety requirements.

Initiatives at respective companies and regions

The AISIN Group has been promoting activities in accordance with our Occupational Health and Safety Management System and have formulated and implemented uniform action rules for the entire Group to eliminate particularly serious accidents resulting from the STOP 6* causes.

At overseas locations, we have established the Safety and Environmental Specialist Liaison Committees in North America, Europe and China. In fiscal 2017, we established another one in Thailand, consisting of employees engaging in safety and environmental activities in the country. Efforts have been facilitated as we commenced integrated activities throughout the region by implementing priority tasks and exchanging information through the committee. In fiscal 2017, we plan to set up liaison committees in Brazil, India and Indonesia.

*STOP 6: Six worst causes of serious accidents in the Toyota Group (1. caught between machinery, 2. contact with heavy objects, 3. contact with vehicles, 4. falls, 5. electrocution, 6. contact with high temperature objects)

Activities to maintain and promote the health of employees

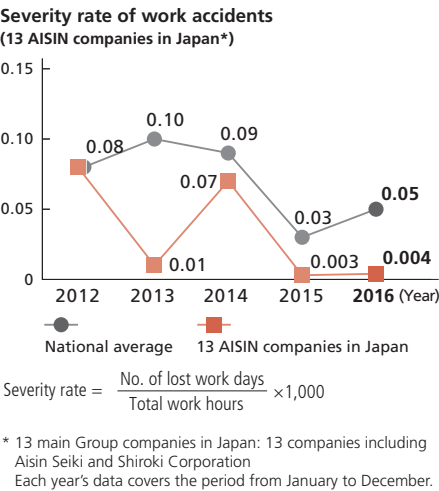
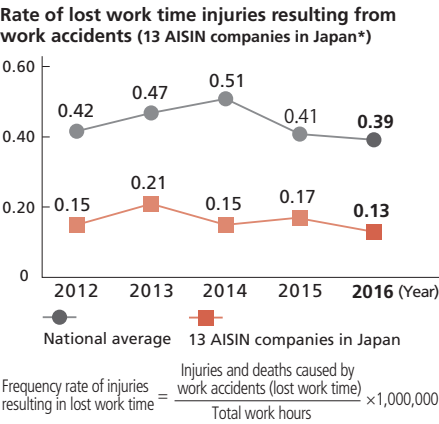
In seeking to create a vibrant workplace, in which employees can remain healthy both physically and mentally and talk with each other openly, Aisin Seiki has been undertaking initiatives in the three phases of “prevention of occurrence,” “early discovery and early treatment” and “prevention of recurrence.”

Initiatives to promote physical health

For “prevention of occurrence,” we provide specific health guidance to employees, who have been found in our regular physical examinations to be at a high risk of developing a lifestyle disease, to help them improve their health. In fiscal 2017, 1,246 employees received advice from a public health nurse on quitting smoking, taking up exercise and improving dietary habits. We also applied work restrictions to employees having a high risk of developing brain or heart disease. From the viewpoint of “early discovery and early treatment,” we strongly encouraged checkups on stomach and bowel cancers, and 95% of the eligible employees have received these checkups.

Initiatives to promote mental health

To “prevent occurrence,” we provided self-care education to 505 employees in their second year of employment to promote an understanding of mental health. As for “early discovery and early treatment,” we have developed a training program for managers and supervisors to improve the ability to notice distress of their subordinates at an early stage, and 155 managers and supervisors received the training in fiscal 2017. We also provided support to persons on long-term leave through the Return to Work Trial in order to ensure “prevention of recurrence” and help them return to work smoothly.



Activity Details of 13 Main Group Companies

Aisin Seiki

Undertaking site-focused safety activities

Conduct visits to operation sites by executive officers, plant managers and general managers to verbally communicate with technical personnel, identify issues and check processes. Accelerate improvement activities by uncovering problems in the workplace and seek to create a zero-accident workplace.

Aisin Chemical

Eliminating accidents resulting from the STOP 6 causes in response to the occurrence of an accident

Conduct activities led by operation sites to identify sources of hazards of getting caught in machinery, with a team of supervisors, personnel in charge of production engineering and members of the Safety and Environment Division undertaking inspections and risk assessment and determining the order of priority. Have identified a new source of hazards and accordingly implemented countermeasures.

Aisin Keikinzoku

Site-focused activities through on-site visits and checks by top management, and prediction of hazards

Identify issues, hold dialogue and work for improvement through on-site visits by top management to collect feedback directly from supervisors and operators. Provide simulation-based, rank-specific hazard education to employees to raise their hazard sensitivity and cultivate self-protection attitude as well as to encourage behavior improvement activities.

Aisin Kiko

Top management directly communicate safty commitment to raise employees’ safety awareness

Promote improvement activities by facilitating communication within the workplace to identify issues, with managers playing a key role. Swiftly report difficult issues to executive directors for prompt decision and action and for accelerating the overall pace of improvement.

Aisin Sin’ei

Safety patrols by top management

Conduct safety-focused patrols by top management at all plants, including subsidiaries, to check the status of the 3F activities* and communicate verbally with operators. Accelerate the improvement of unsafe conditions and thoroughly instill the safety-first culture.

*3F refers to *futan* (burden), *fuau* (distress) and *fuman* (discontent). Activities to identify and improve tasks prone to accidents from the perspective of technical personnel

Hosei Brake Industry

Creation of a safety-first culture, leading to greater team strength

Promote workplace-focused activities for employees to bring up issues and reinforce patrols to check compliance with rules. Fabricate a simulator of accidents in the past to repeatedly provide simulation-based hazard training to all employees in an effort to encourage development of human resources with greater safety sensitivity.

Shiroke Corporation

“Is it safe?” activities in which all executive officers visit operation sites on a periodic basis

Conduct activities by top management to attend the “safety activity time” held every day at each plant and identify tasks prone to accidents and other issues from the perspective of operators through verbal communication and observation. Instill a sense of security among employees that “top management comes and directly sees the operations.”

Aisin Takaoka

An audit led by top management to ensure the same level of safety globally

Apply the three principles: 1) eliminate sources of hazards or turn off equipment, 2) abolish a process, keep people separated from the process or isolate the process, and 3) place the equipment or process under control if 1) and 2) are not possible. Secure the safety of employees by maintaining awareness that “people shut down the equipment or process correctly” and “the equipment or process is shut down by a safety device.”

Aisin AW

Undertaking activities to identify issues

Started collecting feedback from operators in June 2016 to identify issues and has been working to achieve improvements on a daily basis. Perform a monthly site patrol by top management to undertake site-focused activities to communicate verbally with operators, with the aim of promoting and instilling the issue identification effort.

Aisin Development

Promoting the creation of a safe operation site that focuses on mutual enlightenment

Conduct verbal communication and interactive patrols at work sites by top management, executive officers, general managers, plant managers and members of the Safety Group. Identify issues and requests from work managers and operators and jointly strive to improve the working environment.

Aisin AI

Working to eliminate similar accidents

Eliminate accidents during the handling of equipment failures or other irregularities by encouraging employees to take 10 seconds to predict hazards before initiating irregularity handling procedures, providing training on warning calls in joint tasks and performing practical-level skill evaluations.

Aisin AW Industries

Safety promotion activities for creating a safety-first culture

A safety-first culture is beginning to take shape through the three-year safety promotion activities, but has had several human-induced accidents. Aim for defect-free process completion in terms of safety through site-focused activities by top management, 4S* + Shitsuke (sustain) and reinforcement of the safety promotion system.

*Seiri (sort), Seiton (set in order), Seiso (shine) and Seiketsu (standardize)

ADVICS

Facilitating safety communication

Conduct a safety check by top management four times a year, not only at production plants but also engineering departments and subsidiaries. Each is based on a specific theme to encourage the exchange of views and on-site mutual communication, providing an opportunity for both sides to better recognize things and increase safety awareness.



Environment

Through our business activities designed to ensure coexistence with society and nature, we are contributing to the creation of a sustainable society in which people live in harmony with the environment well into the future.

Environmental Policy

AISIN Consolidated Environmental Policy

In order to realize AISIN's Corporate Principles, which are based on "Quality First," our approach is rooted in contributing to society and customers, continuous process of improvement and respect for each and every person. Through business activities centering on MONOZUKURI (manufacturing expertise in value-added products), we contribute to the creation of a sustainable society in which people can coexist in harmony with the environment far into the future.

1. Establish annual policies based on a long-term vision and carry out continuous improvement and periodical review of the environmental management system toward achieving targeted objectives all over the world.
2. Promote efficient environmental management linking to original operations, through the sharing of information with the government, customers, local communities, suppliers and our employees, as well as cooperation with consolidated companies.
3. Promote innovative technology, enrichment of facilities, greater and more enlightened training and awareness by investing adequate management resources.
4. Promote the development of new earth-friendly products and technologies that take life cycle into account as well as environmentally friendly manufacturing.
5. In addition to conformity with international standards, laws and regulations and pollution control agreements stipulated by respective countries, establish voluntary standards in an effort to prevent pollution.
6. Minimize usage and waste through resource and energy savings, procurement of materials with minimal environmental impact, logistics streamlining and expansion of recycling activities and other initiatives.
7. Promote global nature and environmental conservation activities.

Four areas of evolution and priority policy items with a view to 2050

The AISIN Group seeks by 2050 an evolution aimed at achieving zero CO₂ emissions over the entire life cycle of products, from production and use to waste disposal. By doing so, we believe that it is possible to establish a sustainable society in which people live in harmony with the global environment. The AISIN Group is prepared to mobilize all its business resources to help establish such a society.

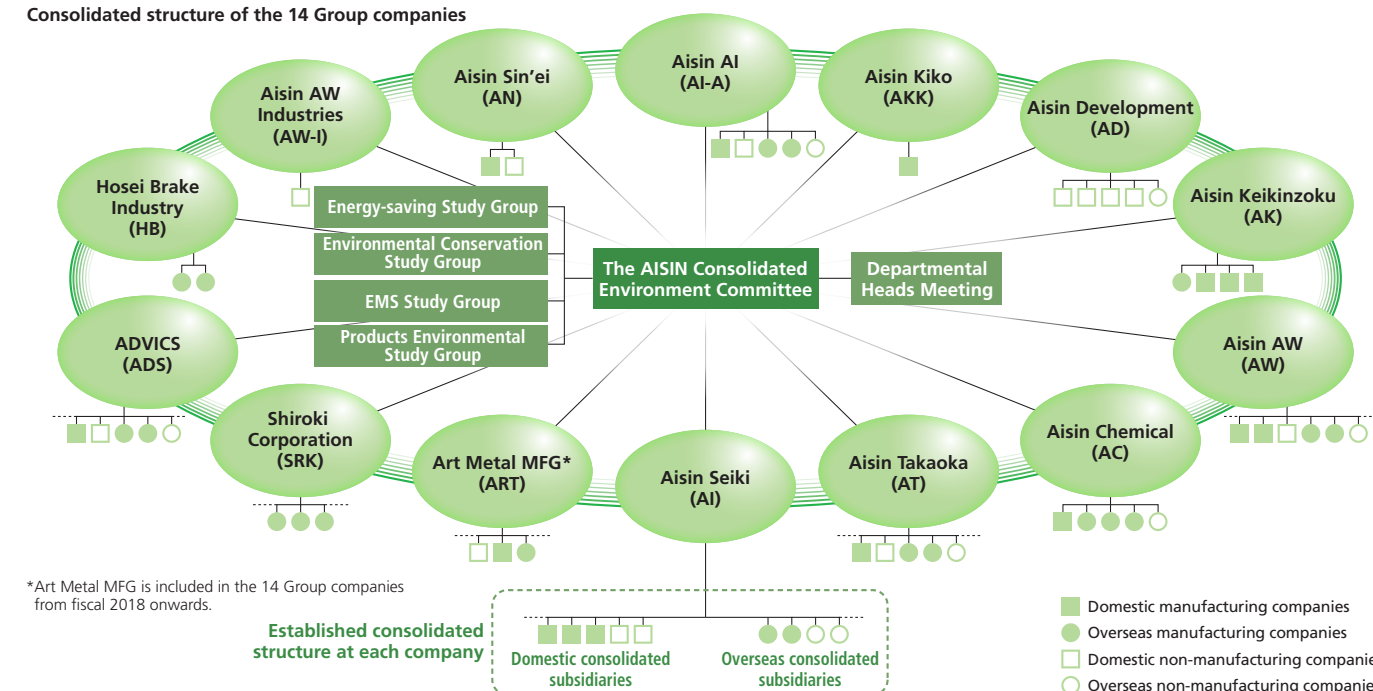


Environmental axes	Priority policy items
Establishment of a low-carbon society	Evolution aimed at achieving zero CO₂ emissions over the entire life cycle of products <ul style="list-style-type: none"> •Promotion and expansion of development of new functional components that can contribute to significant reduction of CO₂ emissions •Establishment of a clean energy factory system and manufacturing under such system
Establishment of a recycling-oriented society	Evolution aimed at achieving zero environmental impact <ul style="list-style-type: none"> •Measures to reduce waste materials •Effective use of water resources and promotion of recycling
Establishment of a society in which people coexist with nature	Evolution aimed at promoting harmony with nature <ul style="list-style-type: none"> •Adoption of a regional program aimed at preserving biodiversity and sharing of best practices
Fundamental activities	Evolution aimed at globalizing management and communication <ul style="list-style-type: none"> •Establishment and operation of a system to evaluate the consolidated global environmental management system (EMS)

The AISIN Group's global environmental activities

As the AISIN Group continues to grow, we continue to expand the scope of our environmental activities on a global scale. In addition to environmental activities spearheaded by our 14 main companies both in Japan and overseas, we have also established environmental organizations for each region of the world, working to actively promote environmental activities at the local level. We will continue to work together as a Group to implement environmental activities in the future, maintaining close communication in every direction.

Consolidated structure of the 14 Group companies



*Art Metal MFG is included in the 14 Group companies from fiscal 2018 onwards.

Study groups take the lead in the AISIN Group's environmental activities

Study groups form an essential part of implementing the AISIN Group's environmental activities globally. We currently have four study groups—Energy-saving, Environmental Conservation, EMS and Products Environmental—all of which consist largely of members from our 14 main companies. These groups are actively working to achieve targets set forth by the AISIN Group in areas such as reducing energy consumption and waste, water management, biodiversity, environmental management, management of chemical substances in products and zero CO₂ emissions across product life cycles.

Priority Measures of the Sixth Environmental Action Plan and Results for Fiscal 2017 Targets

Environmental axes	Evolution	Measures	FY2017 results							
Establishment of a low-carbon society	Reduction of CO ₂ emissions to zero over the entire life cycle of the product, from manufacture and use to disposal	① Promotion and expansion of development of products with new functions for substantial reduction of CO ₂ emissions	■ Mass production of lightweight high-strength aluminum battery frames, high-strength aluminum front bumpers and lightweight grille shutters contributing to fuel efficiency with improved heat management and aerodynamic characteristics							
		② Increased transparency of factors that become environmental load	■ Exploration of new industry-standard life cycle assessment (LCA) calculation methods and implementation of test assessments							
		③ Reduction of CO ₂ emissions from production [Overseas] Establishment of a CO ₂ reduction system similar to the one currently in place for domestic operations [Domestic] Maintenance and continuation of the current high-level CO ₂ reduction system	■ Extension of 15 low cost, easily implemented energy-saving improvement initiatives from Japan to overseas facilities							
		④ Establishment of an “AISIN clean-energy factory” and its operation	■ Formulation of scenarios for halving CO ₂ emissions by 2030 at the four leading AISIN Group companies (AI, AT, AW, AI-A)							
		⑤ Enhancement of transportation efficiency in distribution activities [Overseas] Improvement of a CO ₂ reduction system in line with expanding overseas operations [Domestic] Continuation of improvement activities through the shared use of specific CO ₂ reduction methods (improvement know-how)	■ Establishment of a joint transportation system for the AISIN Group through consolidation of short-distance delivery services and utilization of stop-off points							
Establishment of a recycling-oriented society	Zero environmental load	⑥ Effective use of metallic resources during the development stage and all-out efforts to promote recycling	■ Completion of fact-finding survey of metal resources requiring group-wide management, resulting in confirmation that there are no issues at present							
		⑦ Promotion of recycling of resources in production and distribution, and consequent reduction of the use of resources [Production] Promotion of intra-Group recycling of materials [Distribution] Reduction of packaging materials [Overall] Shared use of recycling methods and all-out intra-Group efforts to promote such methods	■ More detailed investigation and side-by-side comparison of waste figures at domestic and overseas companies and identification of ideas for recycling into valuable resources							
		⑧ Effective use of water resources and all-out efforts to promote recycling of water resources	■ Evaluation of 158 domestic and overseas production facilities using water stress assessment tools and identification of high-risk areas							
		⑨ Advanced action ahead of the official enforcement of regulations of harmful chemical substances contained in products	■ Implementation of mechanisms to obtain advance information on chemical substances subject to regulations and systems to obtain comprehensive information on materials from suppliers in Japan and deployment of such systems globally							
		⑩ All-out efforts to prevent abnormal environmental situations	■ Selection of case examples for risk prediction training to prevent environmental contamination and formulation of related manuals							
Establishment of a society in which people coexist with nature	Harmony with nature	⑪ Reduction from production of chemical substances that become environmental load [Overseas] Establishment of a reduction system similar to the one that is currently in place for domestic operations [Domestic] Maintenance and continuation of the current high-level reduction system	■ Shared access to management tools to make it easier to monitor and manage legal trends							
		⑫ Implementation of regional programs aimed at preserving biodiversity	■ Implementation of nature conservation activities in three regions (Aichi, Hokuriku and Hokkaido)							
		⑬ Reinforcement of environmental compliance through the establishment of a system to centralize the collection of relevant information	■ Assistance for individual companies reviewing environmental manuals and publication of a consolidated AISIN EMS manual to ensure compliance with revisions to the ISO 14001 standard							
		⑭ Establishment and operation of a global consolidated EMS evaluation system	■ Establishment of regional environmental committees in Thailand and India, following on from committees in North America, China and Europe							
		⑮ Reinforcement of environmental management regarding supply chains and promotion of environmental activities in collaboration with suppliers	■ Publication of AISIN Group Green Procurement Guidelines aimed at strengthening environmental activities in conjunction with AISIN Group companies and suppliers							
Fundamental activities that cover all themes		⑯ Reinforcement of environmental education to develop globally competitive human resources	■ Clarification of environmental human resources required by the AISIN Group and announcement of human resources development vision and framework for 2020							
		⑰ Promotion of social contribution activities in the field of the environment in cooperation with local communities	■ Participation in the Light-Down Campaign at all domestic AISIN Group affiliates							
		⑱ Enhancement of communication with various stakeholders in the field of environment	■ Organization of events including the AISIN Group Consolidated Environmental Symposium and AISIN GROUP Eco-spot Tours in order to improve understanding of the Group’s environmental activities							
		⑲ Worldwide management of office environment	■ Sharing issues relating to office activities based on benchmarks at other companies							

Group Collaboration Activities

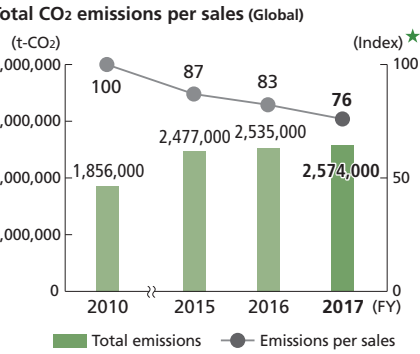
Establishment of a Low-carbon Society

Aiming to reduce life cycle CO₂ emissions to zero

Our efforts to reduce life cycle*1 CO₂ emissions to zero revolve primarily around the Energy-saving Study Group and the Logistics Liaison Committee*2. We are committed to developing technologies for products that emit less CO₂, as well as reducing CO₂ emissions in production, transportation and usage of AISIN Group products.

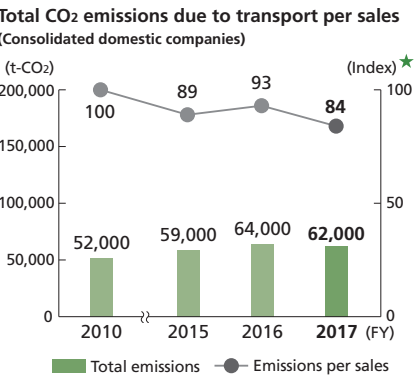
Energy-saving mutual diagnosis

We have put in place an energy-saving mutual diagnosis system to improve energy-saving standards throughout the Group with the aim to develop energy-saving items that come to mind from objectively observing other companies, and to develop energy-saving diagnosis experts capable of incorporating good practices from other companies. Diagnoses were carried out at two companies in fiscal 2017. The suggestions and opinions put forward from various perspectives have helped to improve standards both for the companies being diagnosed and those carrying out diagnoses.



*1: Every process including extracting resources, processing raw materials, manufacturing, consuming and disposing of products
 *2: Committee tasked with reducing CO₂ emissions and packaging material volumes as part of the Group’s logistic operations

Emissions of non-CO ₂ greenhouse gases (Global)				(t-CO ₂)
	FY2015	FY2016	FY2017	
SF ₆	4,302	11,400	5,700	



★ The index used for emissions per sales is calculated on the assumption that the base year for targets set out in the Sixth Environmental Action Plan is equal to 100.

*3: Aisin Seiki, Aisin Takaoka, Aisin AW, Aisin AI

Inter-industry exchange meeting



Efforts to reduce energy from processing lines



Improving knowledge through lectures and explanations featuring demonstration models

Group Collaboration Activities

Establishment of a Recycling-oriented Society

Reducing environmental impact of development, production and logistics to zero

We are working to reduce the AISIN Group's environmental impact to zero, chiefly through the Environmental Conservation Study Group. This includes developing products that make effective use of resources and can be recycled; stepping up resource recycling at the production and logistics stages; and making effective use of water resources.

Examining actual practices at bases worldwide

Water

In an effort to ascertain risks relating to water as one the key themes for priority measures, we have assessed water-related risks at 158 locations in Japan and other parts of the world using the water assessment tool "Aqueduct." We have also carried out a survey that includes intake water, drainage and levels of recycling, as well as details of the local climate and terrain. We were then able to compare results from the assessment tool against our survey results.

In fiscal 2018, we intend to finalize targets and activities based on these results, so that we can move ahead with activities worldwide from fiscal 2019 onwards.

Waste

In order to finalize targets and set out a direction for the Group's waste-related activities, we have conducted a survey of types and volumes of waste, emission processes and disposal methods at 106 AISIN Group companies (27 domestic, 79 overseas), mainly production companies. The survey produced useful information on items to reduce in order to achieve our overseas hazardous waste reduction targets.

Sample of waste survey

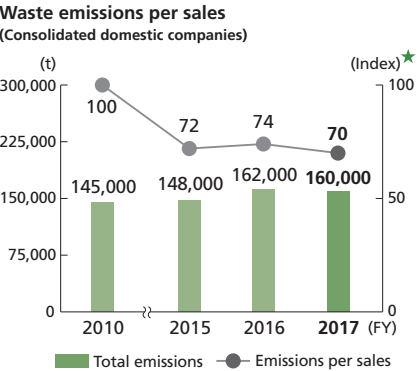
Waste		company	Amount (ton/year) Results in FY2015	Hazardous/Non-hazardous		Method of payment			Use of manifests		Method of disposal		
Category	Subcategory			Hazardous	Non-hazardous	Paid	Free	Sold	Used	Not used	Sold	Recycled	Landfill
Metal	Steel scrap, Scrap of iron	Steel scrap	XX	○○○○○									
		Scrap of iron	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
Iron slag	Foundry waste (dust, sand)	Dust casting	XX	○○○○○									
		Sand foundry	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
Furnace slag	Sludge	Furnace slag	XX	○○○○○									
		Sludge	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
Used oil	Waste liquid	Lubricant	XX	○○○○○									
		Used oil	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
Chemicals	Used coolant	Coolant	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
		XX	XX	○○○○○									
Others	Plastic	Chemicals, etc	XX	○○○○○									
		Alkali	XX	○○○○○									
		Plastic	XX	○○○○○									
		XX	XX	○○○○○									
Waste rubb		Waste rubb	XX	○○○○○									
		XX	XX	○○○○○									

Proper disposal of devices containing PCBs

It is required by Japanese law to dispose of any PCBs (polychlorinated biphenyls) by the end of March 2027.

The AISIN Group has started to outsource the disposal of PCBs in 2005 and has set out a group-wide disposal plan* to systematically dispose of PCBs in advance of the legal deadline. In order to carry out the plan as scheduled, we regularly share information four times a year while also outsourcing disposal on a joint group-wide basis in an effort to save costs.

*Disposal of high-concentration PCBs is expected to be completed by the end of fiscal 2021 and low-concentrations PCBs by the end of fiscal 2025.



★ The index used for emissions per amount of sales is calculated on the assumption that the base year for targets set out in the Sixth Environmental Action Plan is equal to 100.

Removal of devices containing PCBs



Group Collaboration Activities

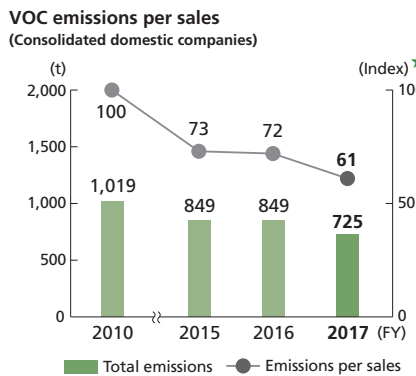
Establishment of a Society in Which People Coexist with Nature

Achieving harmony with nature

To achieve harmony with nature, the AISIN Group's Products Environmental Study Group develops products in which chemical substances are rigorously controlled and works to reduce chemicals used at the production stages. The Environmental Conservation Study Group is also committed to preventing abnormal environmental situations and preserving biodiversity in the interests of protecting the natural environment.

Global efforts to prevent abnormal environmental situations and accidents

To prevent abnormal environmental situations and accidents from occurring, the AISIN Group provides training aimed at heightening sensitivity to environmental risks under various circumstances, including manufacturing sites, using the environmental risk prediction training sheet ("environmental KYT sheet"). In fiscal 2017, we compiled a selection of environmental KYT case examples based on scenarios at overseas sites and are preparing to commence implementation overseas from fiscal 2018.



Advanced actions ahead of official enforcement of regulations of chemical substances

The AISIN Group actively gathers information on regulations and carries out impact assessments in order to strategically replace chemical substances prior to becoming officially regulated. We have also established the Global AisinMACS system for managing chemical substances contained in products to ensure quick and accurate submissions to the International Material Data System (IMDS), the automotive industry's material database, required for vehicle certification.

Outline of Global AisinMACS

Global AisinMACS obtains information from production and technical databases and automatically handles tasks such as identifying suppliers and sending survey requests, determining customers and deciding if surveys are required to assess chemical substances contained in products. The system is also equipped with a feature to automatically assess compliance with regulations. It is available for use by domestic and overseas AISIN Group companies.

Establishing biodiversity activities

The AISIN Group engages in community-oriented biodiversity preservation activities at five locations around Japan, mainly in regions where we have bases. We carried out activities at three locations in fiscal 2017 and will continue to work closely with communities to actively promote biodiversity activities.

AISIN Group's Biodiversity Activities

Naka-ikemi Wetland, Fukui Prefecture



Planting and harvesting rice by hand to preserve secondary forestland

Aso region, Kumamoto Prefecture*



Clearing underbrush to protect rare wildlife species designated by the prefecture

*Conducted in fiscal 2016

Lake Utonai, Hokkaido



Eradicating the invasive plant species *solidago gigantea* to protect the lakeside ecosystem

Tohoku region Scheduled for August 2017

Mouth of the Yahagi River, Aichi Prefecture



Activity with local children to clean up the mouth of the Yahagi River and carry out biological surveys

Fundamental Activities: Environmental Management

Responsible for promoting group-wide environmental management, the EMS Study Group's activities are based on three pillars: (1) standardization, (2) assessment and (3) human resources development.

Following revisions to the international environmental management standard ISO 14001 in November 2015, the EMS Study Group revised the AISIN Consolidated EMS Manual and AISIN Group Green Procurement Guidelines accordingly in fiscal 2017 ((1) standardization). These are both effective tools used to standardize inspection and improvement activities across all domestic and overseas companies ((2) assessment). We also actively encourage employees involved in environmental management at Group companies to improve their skills through activities such as inviting experts for lectures ((3) human resources development).

Improving environmental activity frameworks worldwide

We regularly convene Working Level Liaison Conferences in each of seven regions around the world, led mainly by the AISIN Consolidated Environment Committee. By sharing environment-related information through these conferences, we promote activities in Japan and overseas and intend to expand activities in different regions throughout the world in the future.

Overseas Activities

- (1) Fiscal year started
- (2) Details of priority activities
- (3) Participating Group affiliates
(figures in parentheses indicate the number of participating affiliates)

North America

- (1) Fiscal 2008
- (2) Promoting energy savings, preventing recurrence of abnormal environmental situations/accidents, etc.
- (3) 28 companies
[Aisin Seiki (13), Aisin Takaoka (2), Aisin Chemical (1), Aisin AW (3), Aisin Keikinzoku (1), ADVICS (4), Shiroki Corporation (3), EXEDY (1)]

South America (Brazil)

Activities scheduled to commence at three companies from August 2017
[Aisin Seiki (1), Aisin AI (1), ADVICS (1)]

Europe

- (1) Fiscal 2016
- (2) Compliance with regulations of chemical substances, promoting energy savings, preventing recurrence of abnormal environmental situations/accidents, etc.
- (3) 6 companies
[Aisin Seiki (4), Aisin AW (1), ADVICS (1)]

India

- (1) Fiscal 2017
- (2) Preventing recurrence of abnormal environmental situations/accidents, etc.
- (3) 8 companies
[Aisin Seiki (2), Aisin Takaoka (1), ADVICS (2), Shiroki Corporation (1), EXEDY (1), Cataler (1)]

Thailand

- (1) Fiscal 2017
- (2) Promoting energy savings, preventing the recurrence of abnormal environmental situations/accidents, etc.
- (3) 21 companies
[Aisin Seiki (4), Aisin Takaoka (6), Aisin Chemical (1), Aisin AW (1), Aisin AI (1), Hosei Brake Industry (1), ADVICS (2), Shiroki Corporation (1), Art Metal MFG (1), EXEDY (2), Cataler (1)]

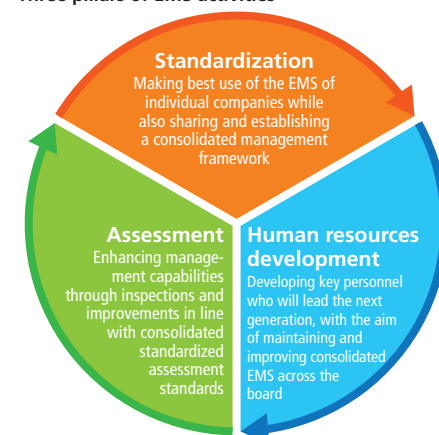
China/Taiwan

- (1) Fiscal 2015
- (2) Promoting energy savings, preventing recurrence of abnormal environmental situations/accidents, etc.
*Activities at individual Group companies in fiscal 2017. Group-wide activities scheduled to commence from fiscal 2018.
- (3) 13 companies
*Aisin Seiki affiliates in China and Taiwan

Indonesia

- Activities scheduled to commence at eight companies from July 2017
[Aisin Seiki (2), Aisin Takaoka (1), Aisin Chemical (1), ADVICS (1), Shiroki Corporation (1), Art Metal MFG (1), EXEDY (1)]

Three pillars of EMS activities



AISIN Consolidated EMS Manual



AISIN Group Green Procurement Guidelines



Activities at Respective Companies

In addition to collaborative activities within the AISIN Group, respective companies are also engaging in various environmental activities.

Establishment of a low-carbon society

Received two awards in the 2016 Energy Conservation Grand Prize in recognition of products' energy-saving performance and plant activities [Aisin Seiki]

Aisin Seiki was presented with the Chairman Prize in the excellent examples of energy efficiency category in recognition of efforts to save energy by recycling emissions in the coating process at its Kinuura Plant. This involves installing an emission recycling system that simultaneously saves energy and reduces VOC*1 in the coating line, which accounts for 40% of energy consumption at the Kinuura Plant. Aisin Seiki also received the Director General Prize of Agency for Natural Resources and Energy for its ENE-FARM TYPE S fuel cell cogeneration system for residential use*2, which achieves a world-leading 52% generating efficiency*3 to further improve energy-saving performance. Also, by integrating the hot water tank and generation unit, it achieves a more compact size and space-saving that enables installation in housing complexes as well as connectivity with existing gas water heaters to facilitate adoption.

*1: Volatile Organic Compounds (VOC): Chiefly refers to manmade synthetic substances that can easily be released into the atmosphere at room temperature and under normal pressure.

*2: Commercialized based on technology developed by Osaka Gas, Kyocera, NORITZ and Aisin Seiki and released in April 2016

*3: Internal research

Awards ceremony of the 2016 Energy Conservation Grand Prize



Extending the lifespan of rechargeable batteries for AGVs and reducing power consumption by preventing overcharging [Aisin Chemical]

Aisin Chemical successfully reduced battery charging time for automated guided vehicles (AGVs) operating in its plants by equipping them with active pulsers. At the same time, chargers with a function to prevent overcharging have been installed to avoid battery degradation. These measures contributed to reducing the frequency of battery replacement as well as an overall reduction in energy consumption annually.

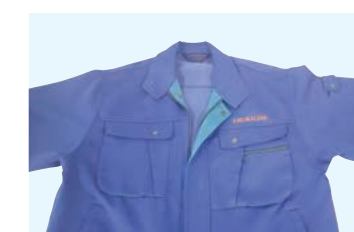


AGV equipped with extended-life battery

Establishment of a recycling-oriented society

Reusing work uniforms [Hekinan Unso]

At Hekinan Unso, when the uniforms worn by truck drivers and workers at distribution centers are no longer used because of wear or stains, they are collected and reused as waste cloths at the company's vehicle servicing facilities.



Used work uniforms



Cut up and reused as waste cloths for different purposes

Establishment of a society in which people coexist with nature

AISIN Ecotopia wins Biotope Award [Aisin Seiki]

AISIN Ecotopia, located in Aisin Seiki's Handa Plant (Aichi Prefecture), was presented with the Biotope Award at the 9th Biotope Commendation hosted by the NPO Japan Biotope Association. Opened in 2007, AISIN Ecotopia is a comprehensive facility that includes a recycling facility, a biotope, an experimental farm and a forest populated with native tree species. The initiative was recognized for creating an extensive biotope on the premises of a plant and for contributing to the establishment of a local ecosystem network.



AISIN Ecotopia

Activities to prevent environmental accidents in Thailand [Aisin AI (Thailand)]

Aisin AI (Thailand) made improvements to prevent environmental accidents at its high-risk facilities. These included adding a fail-safe function to prevent overflowing in its wastewater treatment facilities and sewage relay pits and measures to prevent leaked oil from flowing into rain gutters at waste disposal sites. Additionally, local staff members proactively planned emergency response drills and implemented these drills with the participation of all members, working to raise awareness of environmental accidents and to improve response capabilities in times of emergencies.



Environmental accident prevention activity in Thailand

Fundamental activities

Establishing a statutory notification system for domestic affiliates [Aisin Seiki]

Aisin Seiki promotes legal compliance activities not only within the company but at affiliates as well. In fiscal 2017, the company focused on prevention of failure of statutory notifications related to the environment. Visiting affiliates around Japan, Aisin Seiki provided training in how to submit notifications based on legislation while also taking into account differing local ordinances. The company also established a system to ensure that notifications are submitted in accordance with the law and shared expertise with individual companies. Going forward, Aisin Seiki will carry out regular checks on operations at respective companies to ensure legal compliance.

Activities in conjunction with consolidated subsidiaries and affiliates

All AISIN Group companies extend activities to include their respective subsidiaries and affiliates.

■ Aisin AW

Organized seminars on waste materials for environmental management staff at consolidated subsidiaries.

■ Aisin Development

Aisin Development is contributing to the local community by organizing cleanup activities in the vicinity of the head office and sales bases in conjunction with five domestic Group companies*.

■ Aisin Takaoka

Monthly consolidated environmental committee meetings are being held with domestic affiliates, and environmental information and details of effective environmental improvement initiatives are shared.

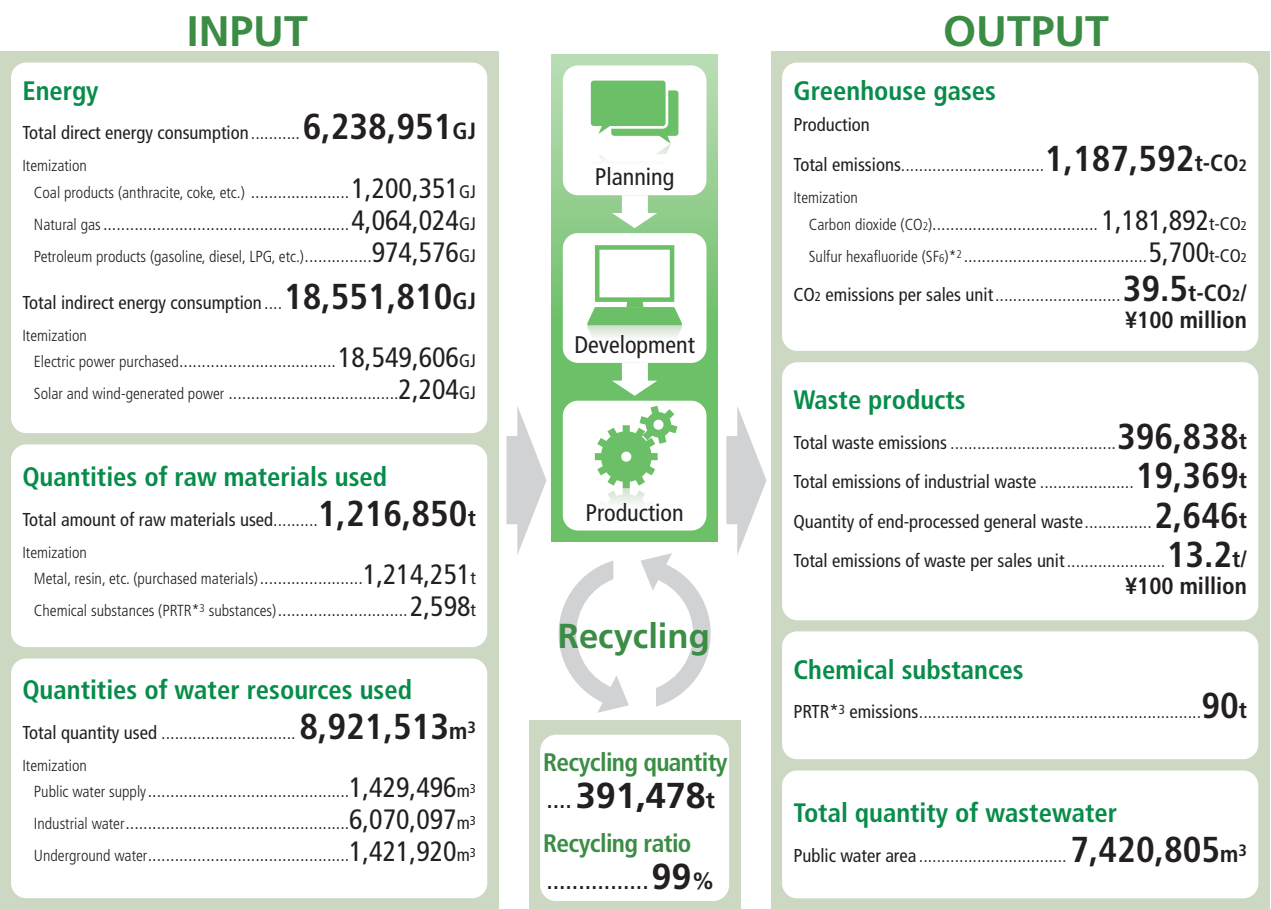
■ Aisin Sin'ei

Company-wide environmental committee meetings are being held with subsidiaries and information such as progress on environmental activities and targets is shared.



Aisin Development

Resources Used and Emissions Released (FY2017) 32 main companies in Japan*1



*1 Domestic Group companies (32): Aisin Seiki, Aisin Takaoka, Aisin Chemical, Aisin AW, Aisin Keikinzoku, Aisin Development, Aisin Kiko, Aisin AI, Aisin Sin'ei, Aisin AW Industries, Hosei Brake Industry, ADVICS, Shiroki Corporation, Aisin Tohoku, Aisin Kyushu, Aisin Kyushu Casting, Aisin Hokkaido, Saitama Kogyo, Kotobuki Industry, Aichigiken, Yamagata Clutch, Aisin ComCruise, Aisin Infotex, IMRA Material R&D, Aisin Cosmos R&D, Technova, FT Techno, Aisin Collabo, Sinsan, Konan Kogyo, Hekinan Unso, Sanetsu Unyu

*2 Sulfur hexafluoride (SF₆): A greenhouse gas with a warming effect estimated at 23,900 times that of CO₂

*3 Pollutant Release and Transfer Register (PRTR): A system requiring businesses to identify the amount of various hazardous chemical substances released from business sites to the environment (air, water, soil) and the amount transferred outside as waste, as well as report the data to the national government. Based on the data submitted, the national government estimates and announces to the public the amounts of release and transfer.

Environmental Accounting

		12 main manufacturing companies in Japan*4			Group companies in Japan*5		
		FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
Environmental conservation costs	Business operation costs	9.46	8.51	10.64	9.93	9.02	11.26
	Management costs	0.90	1.00	1.05	1.08	1.11	1.17
	Upstream/downstream costs	5.14	4.68	4.93	5.18	4.72	4.97
	Research and development costs	17.79	18.56	17.44	17.94	18.68	17.58
	Social contribution activity costs	0.13	0.14	0.15	0.14	0.14	0.15
	Environmental remediation costs	0.13	0.12	0.08	0.13	0.13	0.09
	Total	33.55	33.01	34.29	34.40	33.80	35.22
Effects of environmental conservation measures	Energy saving	0.93	1.02	1.11	0.96	1.23	1.17
	Resource saving	0.44	0.14	0.25	0.47	0.14	0.25
	Effects of reducing waste materials	0.04	0.03	0.03	0.04	0.04	0.04
	Sale of valued property	6.98	4.78	5.33	7.19	4.96	5.37
	Total	8.39	5.97	6.72	8.66	6.37	6.83

Note: These figures are based on *Environmental Accounting Guidelines 2005*, issued by Japan's Ministry of the Environment.

*4 Of the 14 main companies in Japan, refers to the 12 manufacturing companies excluding Aisin Development, a non-manufacturing company, and Art Metal MFG, which joined the AISIN Group in February 2017.

*5 There were 33 companies in fiscal 2015, 31 companies in fiscal 2016 and 32 companies in fiscal 2017.

Fair Operating Practices

The AISIN Group promotes free and fair competition in conducting its business activities in different countries and regions of the world and endeavors to fulfill its social responsibility together with all stakeholders related to its operations.

Compliance

Declaration of thorough compliance

We have declared our commitment to thorough compliance in the AISIN Group Principles of Corporate Behavior. We have also formulated and communicated to all employees the Guidelines in Compliance with Social Responsibility to put the philosophy underpinning these principles into practice. Moreover, the president himself is leading our efforts to reinforce compliance.

Promoting compliance group-wide

The AISIN Group has established a Business Ethics Committee or a similar committee which is tasked with leading the discussion about matters related to corporate ethics, compliance and policy.

We plan to establish a Group Business Ethics Committee in fiscal 2018 to upgrade group-wide compliance activities of our 14 main Group companies.

Compliance education and training

Based on the belief that people are the key to promoting CSR, the AISIN Group provides information on the various laws and regulations through rank-specific education for employees and training for workplace managers and executive officers and is instilling compliance awareness throughout the Group.

In fiscal 2017, we expanded the scale and upgraded the contents of our compliance training and provided training on various topics, including harassment, the Subcontract Act and labor laws, to personnel in charge of promoting business ethics in Group companies in Japan. In October, we held AISIN Group Business Ethics Campaign Month to provide an opportunity for all employees to reflect on their normal routine and consider business ethics. Outside Japan, we conducted training for managers to cultivate the knowledge required of a manager.

Group compliance meeting



Compliance training in Japan



As another activity under AISIN Group Business Ethics Campaign Month, we conduct an all-employee survey on compliance awareness. In fiscal 2017, we received around 70,000 responses and confirmed that compliance awareness is spreading and increasing in the workplace.

Establishing a whistle-blower system to identify and correct inappropriate conduct

Our 14 main Group companies have each set up a hotline to receive inquiries and notices on matters relating to compliance and have been publicizing the hotline through AISIN Group Business Ethics Campaign Month and other means to promptly identify and correct inappropriate conduct.

Building a Company Resilient to Disasters

Developing human resources and a framework resilient to disasters

As part of group-wide efforts to build resilience against disasters, the AISIN Group undertakes education and enlightenment activities to enable each and every employee to take appropriate action in accordance with the Risk Management Guide when risk events occur. This guide stipulates procedures to be followed in ordinary times (before a risk occurs) and during an emergency (when a risk occurs).

In fiscal 2017, we appointed a Chief Risk Officer (CRO) to prepare ourselves more firmly against an emergency. Additionally, to pass on the lessons learned in responding to the 2016 Kumamoto earthquakes, we set up a corresponding exhibition corner in the Aisin Densho-kan (Educational Center) and created a booklet on these lessons for distribution across the Group.

Strengthening capabilities to respond to a major disaster

We regard earthquakes and other major disasters as a significant risk to continuing business and have been bolstering our disaster response capabilities based on a Business Continuity Plan (BCP) that focuses on safeguarding people's lives, providing support to local communities and ensuring an early recovery. For the entire Group, we have formulated guidelines that clearly define tasks, the order of priority and targeted response levels.

From a viewpoint of safeguarding people's lives and ensuring an early recovery, we place emphasis on disaster mitigation measures in preparation for disasters and have been systematically implementing anti-seismic reinforcement in accordance with the AISIN Global Safety Standards (AGSS), a set of safety standards related to corporate buildings and facilities as well as crises.

Additionally, we conduct earthquake simulation drills on a periodic basis to ensure that our plants, research laboratories and other bases can restore operations swiftly in the event of a disaster. Through these drills, we confirm how we operate emergency headquarters, restore communication and distribute information in order to ready ourselves for various situations and prepare for an emergency.

Poster to enhance ethical business activities



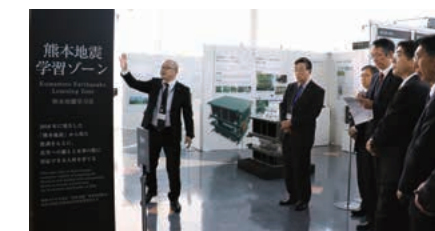
Poster in Japanese

Poster in Portuguese

Compliance hotline contacts (Aisin Seiki)

	FY2015	FY2016	FY2017
Internal and external contacts	90	97	113

Kumamoto Earthquakes Learning Zone established within the Aisin Densho-kan



Booklet, Lessons and Recognitions from the Kumamoto Earthquakes

Earthquake simulation drill at a plant



Initial firefighting drill held at night



Relationship with Suppliers

A good business partner seeking mutual prosperity

As part of its manufacturing activities, the AISIN Group procures a wide variety of items, including parts and materials, from numerous suppliers around the world. In undertaking these transactions, we will work to increase Group collaboration and establish trusting relationships with our suppliers based on our basic philosophy of seeking growth and prosperity as good business partners.

Strengthening CSR initiatives

The AISIN Group is promoting CSR procurement activities jointly with suppliers, beginning with primary suppliers and going as far up the supply chain as possible.

With our suppliers, we promote fair procurement activities based on the spirit of openness and fairness. As a specific effort, we conclude a basic transaction agreement with suppliers, which places greater emphasis on CSR-related clauses regarding compliance with antitrust laws and initiatives to prohibit bribery. On top of ensuring fair transactions, we also make joint efforts concerning safety, the environment and quality with primary suppliers and within our entire supply chain by utilizing such means as information sessions for suppliers jointly held by Group companies.

Additionally, the AISIN Group has established a contact point for suppliers to make inquiries and seek advice on matters related to business ethics.

Establishing a supply chain that is resilient to risks

In an effort to ensure swift response to an emergency, Aisin Seiki has created and operates a risk management system that connects data relating to items purchased from suppliers, including components and materials, with geographical and disaster information. This system is operated 24 hours a day, 365 days of the year, and if a major natural disaster strikes we can swiftly ascertain data on suppliers and products in that region and make the required response flexibly and quickly. We are currently deploying this system to Group companies in Japan as well as in North America, China and Oceania. In fiscal 2017, we started examining measures based on this system to ensure continued production and supply operations not just in a major disaster but also when an accident occurs at a supplier.

Our initiative to support BCP development of suppliers has already been completed. We will continue to work with suppliers to reinforce disaster mitigation measures through various opportunities, such as BCP training sessions and workshops for refining BCPs.

Response to conflict minerals

Automakers listed on the U.S. stock exchange, which are our end customers, are required to report to the U.S. Securities and Exchange Commission (SEC) regarding conflict minerals. In fiscal 2017, we once again worked with business partners and industry groups to conduct surveys to confirm the origin and history of minerals used in products, and to ensure the avoidance of use of conflict minerals. We have since provided customers with feedback on our findings, and our customers can use our products with confidence.

Global Procurement Policy

Working together with suppliers

- 1. CSR procurement**
Reinforce CSR
- 2. Stable procurement**
Establish a supply chain that is resilient to risks
- 3. Competitiveness**
Produce globally competitive components and materials

Presentation outlining our Global Procurement Policy



Information session on promotion of fair transactions



Information Protection and Management

Strengthening information security

The AISIN Group verifies the value of all the information it handles and treats information of each company, business partner and customer confidentially. At the same time, we work to appropriately obtain, utilize, disclose, manage and protect information as well as comply with all pertinent laws and regulations such as the Unfair Competition Prevention Act and insider trading regulations in Japan. Pursuant to the All Toyota Security Guidelines, we have been promoting thorough enforcement of our code of conduct. Specific efforts include: creating an appropriate environment to ensure information security, such as managing people entering and existing buildings, formulating rules concerning items brought onto and taken off the company premises and strengthening information management systems; providing education to raise employee awareness on an ongoing basis; conducting inspections of belongings; and checking rules in the workplace to manage confidential information.

In fiscal 2017, as one effort to establish a robust system to manage confidential information across the entire Group, we invited an officer from the Aichi Prefectural Police, who is in charge of protection of trade secrets, as a lecturer and hosted a joint study session for Group companies in Japan.

Managing personal information

The AISIN Group complies with all laws and regulations related to protecting the personal information of customers, business contacts and employees that we handle in our day-to-day operations. We have also established rules and systems to ensure the appropriate handling and management of personal information.

AISIN Group joint study session on confidential information management



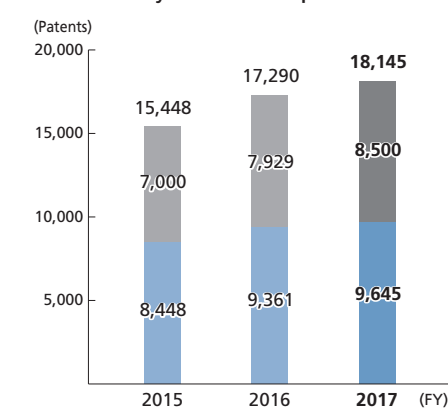
Guidebook on Management of Confidential Information

Intellectual Property Activities

Promoting utilization of patent information and strengthening Group collaboration

To contribute to increasing the competitiveness of the AISIN Group, we engage intellectual property teams early from the product planning stage to check patent portfolios and development activities of other companies based on patent information and guide the direction of our development efforts. In addition, we have initiated collaborative efforts within the Group to provide support to next-generation growth fields from the perspective of intellectual property. In order to increase Group collaboration in the area of intellectual property management, we are encouraging personnel exchanges to augment related functionality and nurture responsible personnel at our 13 main Group companies, and operating the Intellectual Property Liaison Committee for sharing information. Simultaneously, we are building a global intellectual property network by defining rules on the handling of intellectual properties and providing the required infrastructure to enhance the intellectual property management functionality at our development locations in North America, South America, China and Asia.

Patents held by the AISIN Group*



*13 main Group companies
*The figures after fiscal 2016 include patents held by Shiroki Corporation.

Global QC Circle Conference



Fowlerville Proving Ground (approximately 3,840,000 m²)



Opened in 2005 to assist increasing local design and development activities. It contributes to the assurance of reliability by evaluating products, such as drivetrains, brake systems and intelligent transport system (ITS) products, on actual vehicles.

Session to review product manuals



fiscal 2017, a total of 42 circles, or 200 employees, from 40 Group companies overseas and two companies in Japan participated in the conference and were keen to report on their activities. As for activities to propose innovative improvement ideas, we remain at the highest level in terms of the number of awards for the Minister of Education, Culture, Sports, Science and Technology Awards recognizing outstanding examples of improvement.

Developing professionals in quality

The AISIN Group promotes the nurturing of quality professionals capable of using statistical quality control (SQC) methods in their work and encourages employees throughout the Group to attain QC certification (levels 1-4) issued by the Japanese Standards Association. By the end of fiscal 2017, 28,872 employees had acquired the certification at the 14 main Group companies. Additionally, to cultivate scientific problem-solving capabilities, we are promoting the practical use of a fact- and data-based scientific approach through training in SQC methods and by sharing information in improvement examples presentation sessions.

Initiatives to ensure reliability

The AISIN Group thoroughly surveys actual product usages in different parts of the world to increase the level of its performance evaluation, and consequently, ensure safety and reliability in products.

In an effort to ensure the reliability of automotive parts, we operate three large-scale proving grounds, and from the standpoint of finished vehicles, conduct repeated adaptability tests using actual vehicles. Each testing ground has updated its test tracks designed to recreate various road conditions around the world to reflect changes in the marketplace. We also repeat tests across the world based on stringent conditions that accurately reflect different natural environments and ways in which vehicles are used in different countries. This enables us to accumulate new knowledge and data, which we then incorporate into development, quality assurance and improvement of evaluation technologies.

For lifestyle and energy related products, we use large-scale equipment, such as an environmental chamber, and repeatedly conduct tests that take into consideration how products are used in the actual market so that we can continue to create products that are both safe and reliable.

Responding to customers

The AISIN Group sincerely listens to the voices of its customers and responds to their requests. During large-scale exhibitions we organize twice a year, we set up booths for employees of the AISIN Group to listen to recorded complaints from customers and truly learn what our "Customer First" philosophy means. For lifestyle related products, we respond promptly, accurately and thoroughly to customers' inquiries through the Customer Support Department and incorporate their requests into product development. In Europe, we have created a customer response manual in five languages and have been working to improve our customer response skills.

Developing human resources and systems with a consumer-oriented perspective

While capturing customers' voices and social trends, the Customer Support Department foresees trends in relevant laws and regulations as well as in international standards and reflects the findings in a review of catalogs and operational manuals. The department also provides education for employees responsible for creating product catalogs. We also encourage employees to obtain certification as Advisory Specialists for Consumer Affairs, with the aim of developing more human resources capable of incorporating consumer perspectives into their work. We currently have 30 certified employees.

Consumer Issues

To provide quality products that exceed the expectations of our customers around the world, we strive to develop systems and human resources that can further enhance quality so that customers may use our products safely and well into the future.

Quality First

Management philosophy

The AISIN Group has advocated the philosophy of "Quality First" and believes that maintaining and enhancing quality forms the basis of our existence. In addition, we promote Total Quality Management (TQM) as a corporate activity to improve the constitution of the Group based on a "Customer First" mindset, in which everyone involved in work within the Group cooperates with each other to achieve management goals. To reinforce our "Quality First" and "Customer First" philosophies, we held the second All AISIN TQM Conference in fiscal 2017, in which 434 participants, including members of top management of Group companies, directly shared commitment of AISIN's top management to TQM activities. The AISIN Group continues to develop human resources capable of maintaining and improving quality standards throughout the Group.

All AISIN TQM Conference



QA Center in Japan



Education of analysis work in Japan

Overseas QA Center



Undertaking data analysis and other quality improvement activities

A group-wide and worldwide effort to put customers first

The AISIN Group shares quality-related information of each Group company and deliberates on matters to be addressed at Group quality assurance meetings. Our global quality assurance system includes quality improvement committees in North America, China, Oceania, Europe, India and South America, and each region is collaborating with the head office through the corresponding committee to enhance quality. Moreover, our QA Centers in North America, China and Oceania are engaging in development of human resources in seeking to ensure self-reliant quality assurance in each region.

In April 2017, we established the All AISIN Quality Assurance Center. We will channel the knowledge and resources of the entire Group into the center and work to prevent the occurrence of major quality issues.

Enhancing the quality of products through full employee participation

AISIN Group companies conduct QC circle activities that engage all personnel in each workplace, and activities to propose innovative improvement ideas for achieving higher product quality and work quality. We also promote human resources development through these activities.

These QC circle activities are now widespread throughout Group companies in and outside Japan, and the outcomes are announced at the Global QC Circle Conference. In



Community Involvement and Development

Based on “Be With” as the key message, the AISIN Group is committed to carrying out social contribution activities closely linked to regions in order to earn the trust and meet the expectations of everyone in local communities.

Basic Social Contribution Activities

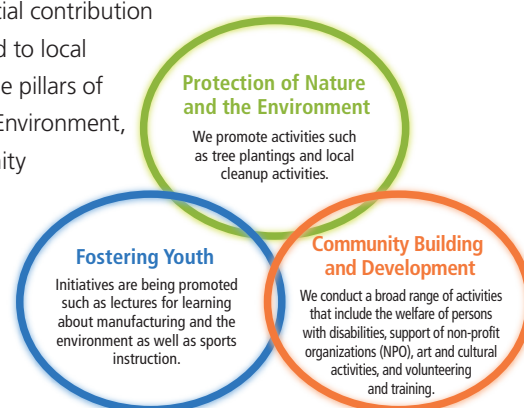
“Be With” local communities

The AISIN Group establishes “Harmony with Society and Nature” under the Corporate Principles and vows to respect the culture and customs of each country and territory in which we operate, and actively contributes to activities closely connected to local communities under the AISIN Group Principles of Corporate Behavior. Based on these concepts, the AISIN Group is actively working to promote social contribution activities, which we aim to spread throughout the world by utilizing our Group strengths, and activities closely linked to respective regions and countries. We consider it important that employees who participate in activities volunteer on their own initiative, beyond the company framework, and share the same views as local people in carrying out operations.

“Be With” goes hand in hand with our activities. On this basis, the AISIN Group hopes to fulfill its social responsibility globally and together with all members of local communities.

Three pillars of social contribution activities

The AISIN Group develops social contribution activities that are closely linked to local communities through the three pillars of Protection of Nature and the Environment, Fostering Youth and Community Building and Development.



Volunteering in watermelon harvest



Supporting aging farmers for promotion of local specialty produce (Fukui Prefecture)

Providing housekeeping support to elderly people living alone



Helping with household chores, such as cleaning rooms and drawing water (China)

Examples of Social Contribution Activities

Protection of Nature and the Environment

Conducting tree-planting activities in Japan and China

In Japan, the 13 main AISIN Group companies engage in tree planting and supplementary planting activities on Mount Fuji every May, using saplings we planted in nursery beds in the previous year. In China, together with the public interest incorporated foundation Aste, we have been conducting tree-planting activities in the desert area of the Xilinhot district of the Inner Mongolia Autonomous Region, and working on plans to plant saplings across 20 hectares of land over the course of 10 years. In the fourth tree-planting event in April 2016, 11 employees from domestic AISIN Group companies, 53 from local subsidiaries and 40 local elementary school students planted some 100,000 saplings on two hectares of land and learned the importance of tree planting through environmental education and exchange events.

“Aisin no Mori” forest-making to contribute to the conservation of the natural environment along the Yahagi River

The AISIN Group has been conducting environmental conservation activities along the Yahagi River, which we use to obtain water for industrial and domestic purposes. The AISIN Group has also concluded a “forestry foster parent agreement” with Neba, a municipality in Nagano Prefecture, and has been engaging in maintenance of the walking path and promoting “Aisin no Mori” forest-making by planting trees in the area. We hold environmental events to provide an opportunity for many children and their parents to realize the importance of water and the beauty of nature in an enjoyable manner in summer and to enhance environmental awareness by participating in forest management activities in fall.

In fiscal 2017, a total of 352 employees and their families from 11 Group companies joined the summer and fall events and learned the wonder of the environment in a fun way.

Tree-planting activity in Inner Mongolia, China



Saplings are planted including yellow willow to stop desert sand erosion.

Environmental education event: “Neba Village Fall Activity”



Maintenance of the walking path

Examples of Social Contribution Activities

Fostering Youth

Environmental education program for elementary school students

Our seven Group companies are working together with the NPO ASK-NET to host the AISIN Environmental Education Program for elementary school students.

The program is part of an integrated study class of fourth and fifth graders at elementary schools in 14 cities and towns in Aichi Prefecture, which also encompasses the city of Kariya where our corporate head office is located. To date, a total of about 21,000 students at 247 elementary schools have learned about the environment in a structured manner through classroom lectures, hands-on learning, a sympathy-cultivating workshop, eco action and a talk session.

AISIN Environmental Education Program



Environmental lecture at the Handa Plant's Ecotopia

Outreach seminar on *monozukuri* (manufacturing)

The outreach seminar on *monozukuri* involves classroom lectures and hands-on lessons and enables children to develop a scientific perspective through manufacturing. The seminars mainly consist of the outreach seminar on *monozukuri*, which is held by visiting nearby local communities; AISIN *Monozukuri* Hiroba (Manufacturing Forum) events in the area around the Aisin Seiki head office in Kariya; and weekend workshops held at the Toyota Commemorative Museum of Industry and Technology (Aichi Prefecture). A total of 8,376 children have participated in 91 events held to date. In February 2017, we held the outreach seminar on *monozukuri* at Osu Public Junior High School in Ishinomaki City, Miyagi Prefecture as part of our efforts to support the recovery of the Tohoku region to provide an opportunity for students, who will lead the future recovery efforts, to experience *monozukuri* in an enjoyable way.

Activity to support the recovery of the Tohoku region



Students creating a luminescent coaster and experiencing the joy of *monozukuri*

Examples of Social Contribution Activities

Community Building and Development

Efforts toward social issues

The AISIN Group is actively implementing activities targeting social issues.

At sites around the world, including Japan, we have been conducting a traffic safety program to protect the safety of the automobile society. Aisin Seiki, Aisin Takaoka, Aisin Chemical, Aisin Kiko and ADVICS are aiding the activities of organizations supporting the employment of persons with disabilities by providing them with opportunities to sell their products, such as bread and sweets. Aisin Seiki, Aisin Takaoka, Aisin Sin'ei, Hosei Brake Industry and Aisin AI have been taking part in TABLE FOR TWO (TFT), which is an organization aiming to provide food to developing countries and to eradicate obesity and lifestyle diseases in industrialized countries with a focus on imbalances in world food consumption. In fiscal 2017, we raised enough money to provide around 90,000 meals and achieved "Platinum Supporter" status, the highest level awarded by TFT for the fourth consecutive year. The AISIN Group has also signed up to an initiative to collect plastic bottle caps in order to donate vaccines to children in developing countries through the NPO Japan Committee Vaccines for the World's Children.

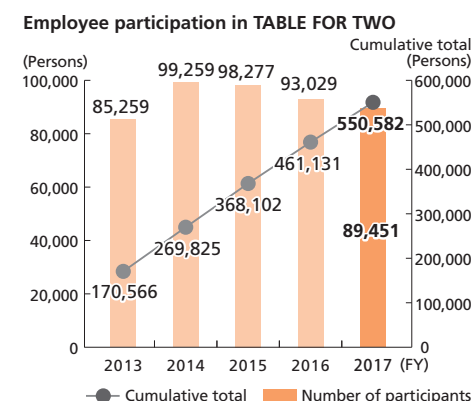
Activities that are closely linked to local communities

The AISIN Group launched the All AISIN NPO Activities Support Fund (Aichi, Fukui and Toyama prefectures) through our 13 main Group companies as one part of activities that are closely linked to local communities. We supported 21 NPO groups in fiscal 2017.

In collaboration with Toyota Industries Corporation, we hold spring and fall "Friendship Farm" harvest festivals every year and invite people from local welfare facilities. These events let participants with little opportunity to feel the land and experience harvesting by directly seeing and touching agricultural crops.

Nurturing disaster relief volunteer leaders

The AISIN Group promotes disaster relief activities in Japan and around the world. Along with these activities, we are nurturing disaster relief volunteer leaders from among our employees by providing a training course to improve the skills of employee volunteers.



Receiving a "Platinum Supporter" Award for the fourth consecutive year



All AISIN NPO Activities Support Fund



Supporting local organizations engaging in volunteer and welfare activities

2016 Spotlight on Global Activities

We maintain the spirit of "Be With" in seeking social integration and working with local people to create a better society in global regions where our bases are located. We contribute to local communities through activities such as donations and blood drives and actively organize events that also get local communities and employees' families involved.

Europe

AW Europe S.A.
AW Technical Center Europe S.A.

Charity event

The companies sold meals and sweets made by employees for eight months. Funds raised were donated to cancer and other research projects.



China

Takaoka Lioho (Guangzhou)
Machinery Industries Co., Ltd.

Donated goods to an elementary school in the neighborhood

To support children, the company donated stationery, school bags and toys provided by its employees.



India

Aisin Automotive Haryana Pvt. Ltd.
ADVICS North India Pvt. Ltd.

Held a blood drive on World Health Day

On World Health Day, the companies held a blood drive in cooperation with a local hospital in Rohtak. The donated blood was used in medical services near Haryana State.



Thailand

Aisin Chemical (Thailand) Co., Ltd.

Repaired toilets in a neighborhood elementary school

About 50 people, mainly school staff, repaired toilets in an elementary school. This activity received a CSR-DIW 2016 Continuous Award from the Department of Industrial Works for its high degree of contribution to and good communication with the local community.



North America

AISIN World Corp. of AMERICA

Raising awareness for prevention of heart disease on National Wear Red Day

About 50 employees participated in National Wear Red Day, an event to provide health support for prevention of heart disease. They wore red, the symbol of the event, in support of increasing the awareness of heart disease.



AISIN Group Profile (14 Main Companies)

These 14 companies form the core of the AISIN Group and are working toward the creation of an enriched society in their respective, unique technology domains based on a “Quality First” approach while combining the comprehensive strengths and advanced technological capabilities of the Group.

| Aisin Seiki Co., Ltd.

The company engages in the automotive parts business as the core company of the AISIN Group. It also utilizes technologies cultivated in the manufacture of automobiles to carry out businesses in a variety of other fields, including life and energy related products.

Established August 31, 1965
Head office.... Kariya, Aichi, Japan
URL..... <http://www.aisin.com>

| Aisin Takaoka Co., Ltd.

The company undertakes the development and manufacture of various automotive parts utilizing such materials as steel and stainless steel materials as one of the world's largest manufacturers of casting and plastic-forming parts.

Established March 8, 1960
Head office.... Toyota, Aichi, Japan
URL..... <http://www.at-takaoka.co.jp/english/>

| Aisin Chemical Co., Ltd.

The company is the Group's only specialty manufacturer in the chemicals field. It engages in the development and manufacture of automobile-use chemical products such as paint, adhesive agents and damping materials; wet friction materials and dry friction materials for transmissions; disc brake pads; and plastic parts.

Established February 12, 1952
Head office.... Toyota, Aichi, Japan
URL..... <http://www.aisin-chem.co.jp/english/>

| Aisin AW Co., Ltd.

The company is a top manufacturer of automatic transmissions. It also engages in the manufacture of car navigation systems and hybrid systems and provides customers around the world with products that are at the forefront of the times.

Established May 15, 1969
Head office.... Anjo, Aichi, Japan
URL..... <http://www.aisin-aw.co.jp/en/>

| Aisin Keikinzoku Co., Ltd.

The company is a manufacturer that engages mainly in the planning, development and production of automotive parts based on aluminum materials. It develops a variety of materials and products to respond to weight reductions, safety and environmental features required by automobiles.

Established February 1970
Head office.... Imizu, Toyama, Japan
URL..... <http://www.aisin-ak.co.jp/english/>

| Aisin Development Co., Ltd.

As the only developer in the Group, the company is contributing to the creation of an even better social environment through its construction business, urban development business and insurance business.

Established December 1993
Head office.... Kariya, Aichi, Japan
URL..... <http://www.aisin-ad.co.jp> (Japanese)

| Aisin Kiko Co., Ltd.

The company manufactures drivetrain related and body related components utilizing its cutting, plastic-forming and other precision technologies and its flexible assembly that can respond to multiple models.

Established June 1956
Head office.... Nishio, Aichi, Japan
URL..... <http://www.aisin-kiko.jp> (Japanese)

| Aisin AI Co., Ltd.

The company is a specialist manufacturer of manual transmissions that provides “enjoyment in handling automobiles.” It is involved with a wide range of automobiles from minicars to sports cars and commercial vehicles.

Established July 1, 1991
Head office.... Nishio, Aichi, Japan
URL..... <http://www.aisin-ai.co.jp/english/>

| Aisin Sin'ei Co., Ltd.

Utilizing its integrated production system, the company manufactures a variety of exterior body components and functional components. It provides products and services trusted by customers by leveraging its industry-leading core technologies (plastic forming, plastic molding, painting).

Established July 1961
Head office.... Hekinan, Aichi, Japan
URL..... <http://www.aisin-sinei.co.jp> (Japanese)

| Aisin AW Industries Co., Ltd.

The company is a specialist manufacturer involved in the production of torque converters, which serve as the heart of automatic transmissions, and various types of transmission parts.

Established March 1983
Head office.... Echizen, Fukui, Japan
URL..... <http://www.aw-i.co.jp> (Japanese)

| Hosei Brake Industry Co., Ltd.

The company boasts industry top-level production volume as a brake parts manufacturer and is also involved in products that use its pressing and welding technologies.

Established May 1968
Head office.... Toyota, Aichi, Japan
URL..... <http://www.hosei.co.jp/english/>

| ADVICS Co., Ltd.

The company proposes the development of systems suited to customer needs as a global supplier of brake systems.

Established July 3, 2001
Head office.... Kariya, Aichi, Japan
URL..... <http://www.advics.co.jp/eng/>

| Shiroki Corporation

The company manufactures such automotive parts as window regulators, door frames and seats. It also manufactures seats for trains.

Established March 1946
Head office.... Toyokawa, Aichi, Japan
URL..... <http://www.shiroki.co.jp/english/>

| Art Metal MFG Co., Ltd.

The company provides world-class pistons to customers due to its integrated manufacturing processes which have been refined by new product development and technology.

Established December 1945
Head office.... Ueda, Nagano, Japan
URL..... <http://www.art-piston.co.jp> (Japanese)



