



For a Better Tomorrow
AISIN GROUP

AISIN GROUP REPORT 2018



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 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.

Message from the Chairman and President

In fiscal 2018, we introduced initiatives to strengthen the competitiveness of our existing businesses, accelerate growth strategies that anticipate the next generation and reinforce the management foundation that supports our sustainable growth. These initiatives have produced solid results, enabling us to achieve record-high sales revenue and operating profit. It is only thanks to our stakeholders that we have been able to achieve this, and we would like to express our warmest gratitude in this regard.

The automotive industry is currently faced with a once-in-a-century transformational period. Since the time of our founding, AISIN Group has adhered to the basic philosophy of “Quality First” to create attractive and appealing products that will bring joy and happiness to our customers. Moving forward, we will continue to advocate this basic philosophy as we aim to become a vibrant company that possesses true competitiveness and proposes new value. We ask for your continued support and cooperation in the future.

Kanshiro Toyoda
Chairman
Aisin Seiki Co., Ltd.

Kiyotaka Ise
President
Aisin Seiki Co., Ltd.



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Editorial policy

AISIN Group Report 2018 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 2018 (April 1, 2017 to March 31, 2018). Some information is related to activities outside this period.

Scope of the report

In principle, 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 “14 main Group companies”.

Reference guidelines

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

Fiscal year

April 1, 2017 to March 31, 2018
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

October 2018

Cautionary statement with respect to forward-looking statements

The report contains statements concerning plans, prospects, strategies 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.

Birth, Growth and Group Consolidation Now, AISIN Welcomes an Era of Major Reforms

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. Optimizing each company into a specialized business domain has driven the advancement of AISIN Group as a whole. As it approaches what is said to be a one-in-a-century transformational period, the entire Group is working as one to advance initiatives with the aim of achieving major reform and evolution.

1965
Establishment

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 gaining market share as an international company.

1975 - 1984

Pursuit of "Quality First"

During the process of strengthening its corporate structure through total quality control (TQC), AISIN 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 vehicle electronics

Launched a new structure that incorporated electronics with traditional mechanics to respond to rapid advances in vehicle electronics.

Research network for future technology development

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

FY1986
Consolidated net sales
¥0.4 trillion

1985 - 1994

Full-fledged overseas production

In reaction to the Plaza Accord in 1985, 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.

FY1996
Consolidated net sales
¥0.8 trillion

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 to advance on our own into areas where there are new and emerging 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 all companies.

FY2006
Consolidated net sales
¥2.1 trillion

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 the Group's 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 AISIN Group and boosting responsiveness to change. Directed toward raising competitiveness from four perspectives: (1) one unified direction, (2) improved efficiency, (3) new value creation, and (4) sophistication.

Refer to Message from Top Management >>> page 8

Major AISIN Group Events during Fiscal 2018

April
AISIN Group
Introduced a Virtual Company System

April
Aisin Seiki
Transferred piston business to Art Metal Mfg.

April
Aisin Seiki
Opened Daiba Development Center as a center for cutting-edge technology development



August
Hosei Brake Industry
Assumed control of drum brake business from Nisshinbo Brake Inc.

November
Aisin AW
Established AW Mizunami Co., Ltd., an automatic transmission manufacturing company



February
Aisin Seiki, Aisin AW
Established Fenox Venture Company XX, L.P., a joint-venture fund, in Silicon Valley, USA

November
Aisin AW Industries
Established AW-I Wakasa Co., Ltd., an automatic transmission parts manufacturing company

February
Aisin Seiki
Reached capital and business partnership agreement with an artificial intelligence (AI) venture company, Idein Inc.

March
Aisin AW
Signed license agreement with the PSA Group regarding the manufacture of FF 6-speed automatic transmissions

2017

April

May

June

July

August

September

October

November

December

2018

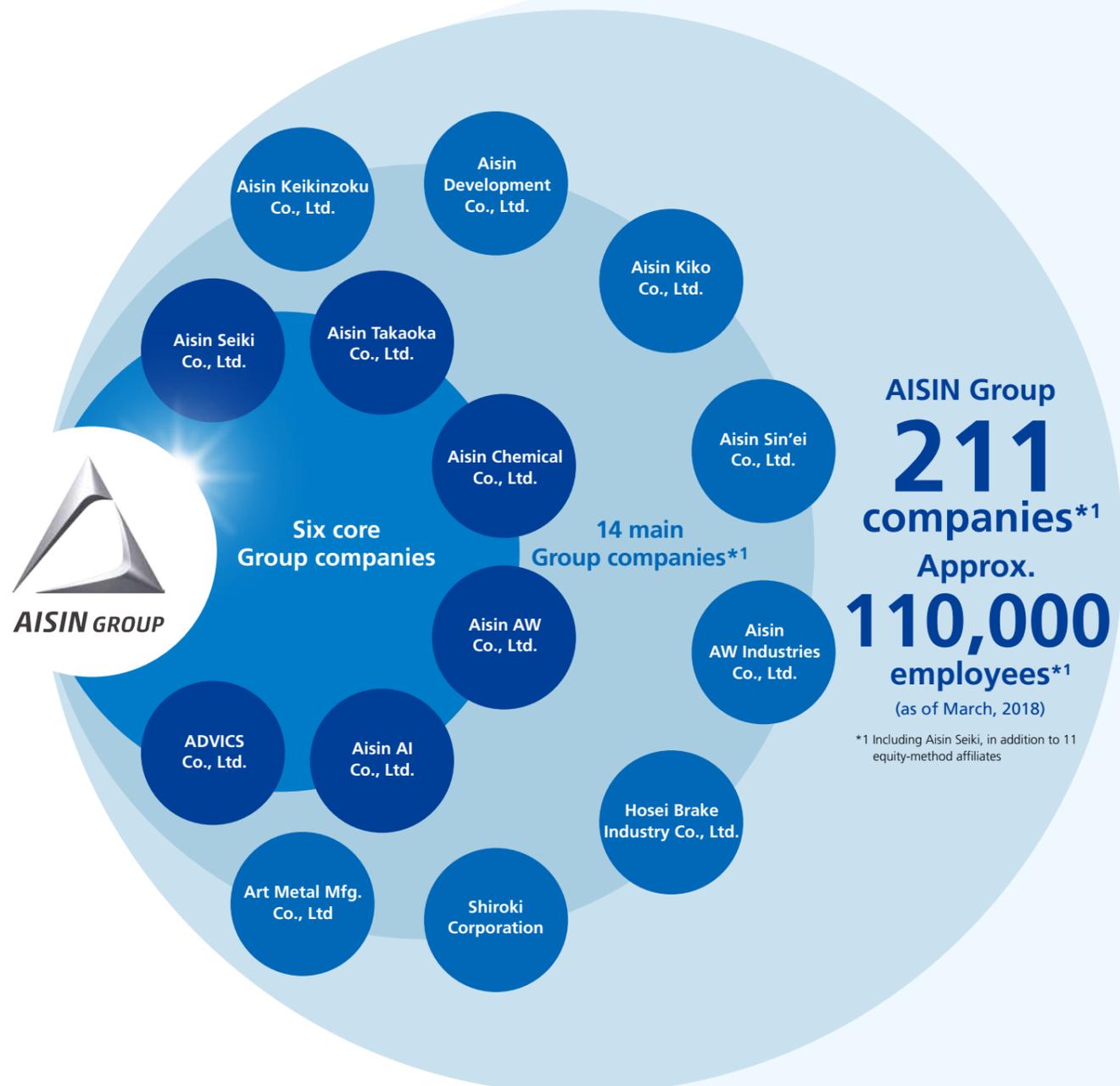
January

February

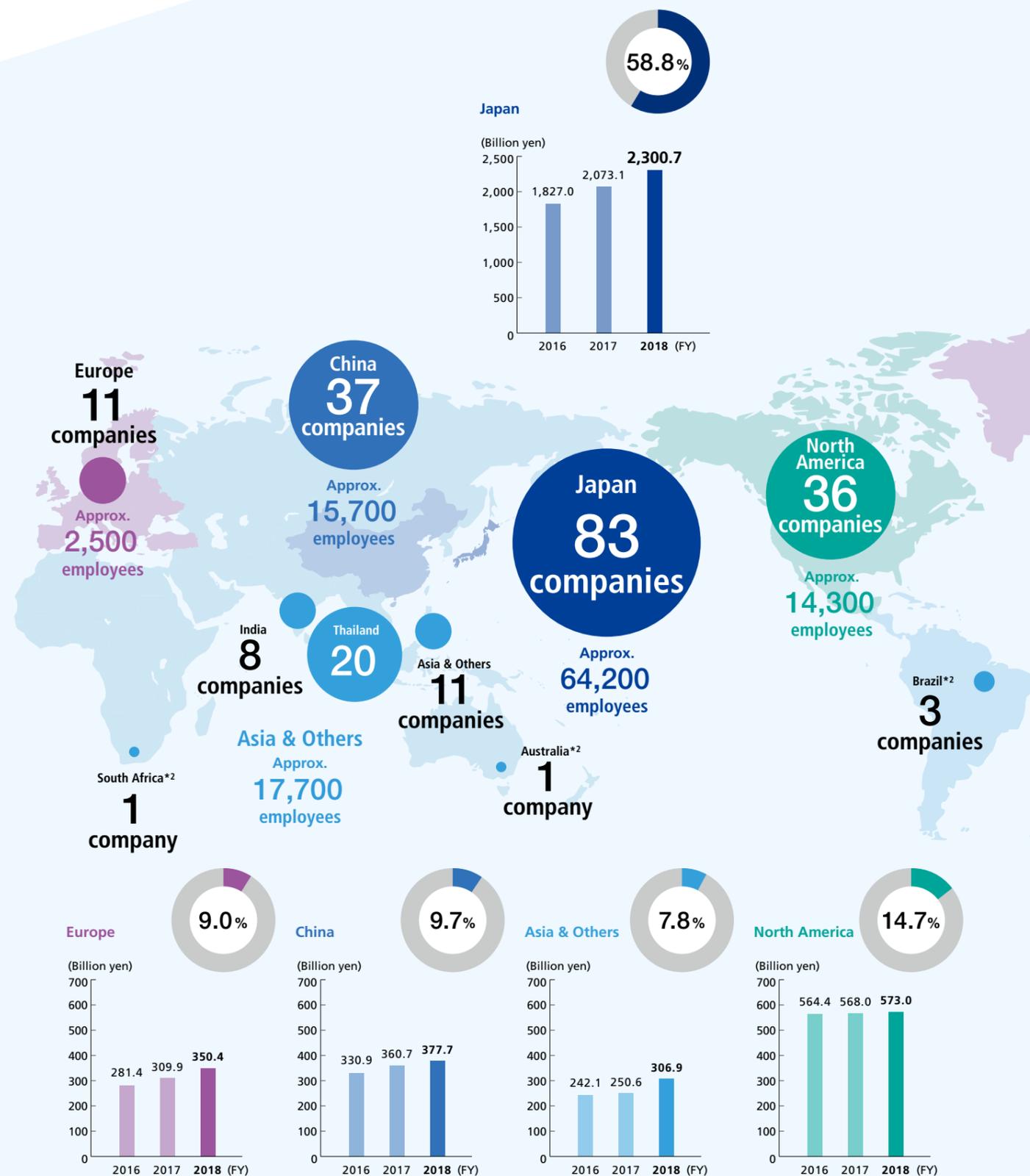
March

Expanding Our Global Network and Building an Optimal Supply Structure

Based around its 14 core Group companies in Japan, AISIN Group has grown and developed through the application of advanced technological capabilities, supporting vehicle manufacturers around the world through its global network. Moving forward, the Group will continue to further enhance its production capabilities and build upon its development framework.



Revenue by region / Number of Group companies by region / Number of employees by region



*² Brazil, Australia and South Africa are included in Asia & Others.

As of March 31, 2018

Advancing the Development of Next-Generation Technologies While Strengthening Existing Operations in Four Major Business Areas

AISIN Group is accelerating the development of competitive new products by focusing the resources of its 211 companies into the four business areas of Powertrain, Chassis & Vehicle Safety System, Body and ICT & Electronics.



Automotive Parts Business

Powertrain

Transmissions in a wide-range of lineup from mini vehicles to ordinary cars and commercial vehicles are offered. In addition, functional parts and cast parts around the engine, and products that contribute to weight reduction and improved fuel efficiency are also provided.

Drivetrain-related



RWD 6-speed automatic transmission for light-duty trucks and buses

Engine-related



Electric water pump for engine cooling



RWD 10-speed automatic transmission for passenger cars



2-motor hybrid transmission



FWD 6-speed manual transmission for passenger vehicles



Piston

Chassis & Vehicle Safety System

To realize a zero traffic accident society, we are constantly pursuing improvements in safety while also developing products to enhance driving comfort.



Active rear steering system



Electronically controlled brake system



Parking assist system

Body

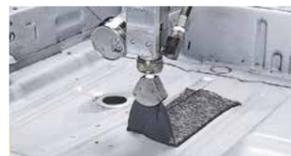
Wide range of products with enhanced design and weight reduction as well as the pursuit of functionality are offered.



Sunroof



Power sliding door system



Spray-type damping coat

ICT & Electronics

In addition to market-leading Car Navigation Systems, we also offer ECUs, sensors and actuators.



Car navigation system



ECU



Electric current sensor

AISIN Group Direction of Future Development of Three Areas of Focus

AISIN Group will accelerate its development with the following three technologies at our core, contributing to a better automotive society: "Zero emissions," "Automated Driving" and "Connected Cars"

Zero Emissions

We are not only making advances in the conventional powertrain field by improving fuel efficiency and reducing substances with environmental impact, but also accelerating the development of motors and inverters compatible with electric vehicles and fuel cell vehicles.



Automated Driving

With a range of technologies for "Drive," "Turn" and "Stop" in fields such as powertrain, braking, steering, etc., we are building on existing parking assist systems so as to achieve fully unmanned "Automated Valet Parking" by developing integrated "Vehicle Dynamics Control" technology that fully utilizes our strengths in actuator development.



Connected Cars

In the area of Connected Cars, AISIN Group is working to develop a comfortable moving space by providing Hospitality Services and the integration of various systems, such as control and the position of seats, doors, windows and sunroofs based on occupant preferences previously stored in the cloud. AISIN Group will also offer new amenities utilizing Location Based Services.



Lifestyle & Energy Business

Lifestyle

With the goal of bringing joy to customers' daily routines, we manufacture and sell numerous products and amenities that improve standards of living.



Bed



Shower toilet seat



TAOC speaker system

Energy

We aim to contribute to the harmonization of lifestyles with the environment by offering products that maximize efficiency and minimize resource consumption.



Fuel cell cogeneration system for residential use



Gas engine driven heat-pump air conditioner (Outdoor unit)



Kiyotaka Ise
President
Aisin Seiki Co., Ltd.

伊勢清貴

AISIN is aiming for innovation through a change of thinking, unconstrained by conventional rules and old ways of doing things.

My Mission as President

My name is Kiyotaka Ise, and I was appointed president of Aisin Seiki in June 2018. It is a momentous occasion for me to be charged with such a major role, and I aim to work to the very best of my abilities in order to answer to and exceed the expectations of our stakeholders.

So far in my career, I have worked at Toyota Motor Corporation, where I was mainly involved in technology development, before moving on later to various positions of responsibility for Lexus and for the Advanced Technology Development Division. In particular, during my time as general manager of the Lexus Development Center,

although sales had slumped greatly due to the impact of the financial crisis triggered by the collapse of Lehman Brothers, I was able to experience the dynamism of transformation when corporate officers and employees all came together with a shared sense of crisis to break through and overcome this difficult situation.

I believe that my mission as president is to help us ride out the waves of the so-called once-in-a-century transformational period that is currently upon the automotive industry, and to build a foundation for our company that will enable us to grow for the next 50 to 100 years. In order to achieve this, I would like to make effective use

of my experience thus far in advancing structural reforms across the entire AISIN Group.

The Current State of the Automotive Industry and the AISIN Group: A Once-in-a-Century Transformational Period

Currently, the automotive industry is said to be in the midst of a once-in-a-century transformational period. The shift toward electrification (i.e., electric vehicles) is progressing at a rapid pace against the backdrop of increasingly tough regulations on fuel economy and exhaust gas emissions in various countries around the world. So is automated driving, boosted by technological advances in areas such as computing, image processing and artificial intelligence. Moreover, competition is also intensifying due to the entry of a steady stream of companies from other industries into the automotive industry. The waves of technological innovation have even begun to influence the values of the general public, and a shift in awareness is beginning to take place, with cars being regarded less as things to be “owned” but rather “used.”

Amid these changes, AISIN Group is enjoying a growth in demand for mainstay products, such as automatic transmissions (AT), and is displaying a strong business performance. However, during this major transformational period, steadily increasing business results are not something that can be expected to continue in the long term, and with the progressive shift toward powertrain electrification, there is a risk that demand for AT may disappear altogether. We cannot hope to survive unless we advance the development of technologies for the future at a speedy pace. Additionally, if we examine AISIN Group’s current revenue structure, we can see that our earning power is still weak in comparison with other mega suppliers, and we need to direct significant business resources to maximize our competitive advantage and earning potential.

Our environment is changing greatly. We, too, must take advantage of our current situation with our strong business performance to adapt to these changes, to change ourselves and to build a foundation for sustainable growth.

Formulating a Management Policy for Sharing a Sense of Crisis

It is important that we don’t become content with our current situation and strong performance because we must continually maintain a sense of urgency as we look to the future. We must also be able to adapt to the changes taking place in the automotive industry. It is also crucial for all of us—not only certain members of top-level management but all employees including top management—to share this sense of crisis, and the strong sentiment that we must change. We have incorporated these kinds of ideas into the Group Management Policy that we formulated in March 2018.

Below, I will introduce the three Action Guidelines that I conveyed to all employees in the Group Management Policy.

Action Guideline 1: Initiative and Speed

We must not adopt a passive attitude and simply wait for things to happen. We cannot survive among our rivals and competitors unless we work actively ourselves. The keyword here is “we.” As employees, I want us to think and act for ourselves, and to increase the speed with which we do so.

Action Guideline 2: Scrap and Build (Workwise, Nothing is Sacred)

Starting something new requires new resources which are often limited. Sometimes starting a new business means that we must carefully evaluate our existing businesses. Even if a business has contributed to the advancement of AISIN Group in the past, if it begins to lose competitiveness with the flow of the times, and further market growth cannot be anticipated, then we must be prepared to scrap that business with good grace, and to shift those resources into new business operations. I want to implement a scrap and build policy that fits with our organizational structure, with we as corporate officers evaluating and eliminating certain business operations and products, allowing employees to abandon wasteful meetings and the preparation of needless documentation and materials, and allowing all of us to concentrate on the work at hand.

Action Guideline 3: Break Down Barriers

Unless we break down the barriers between our various departments and Group companies, and work together within the Group, we cannot hope to enhance the competitiveness of our products, or to improve productivity as a group. The policy that AISIN Group has implemented is advantageous in that it offers good maneuverability and enables speedy decision making, and it has supported the growth and advancement of the Group for a long time. But on the reverse side, it is also a fact that this policy has resulted in a lack of collaboration within the Group, and overlapping of management departments. Our Virtual Company (VC) System, which we launched in April 2017, is one mechanism for resolving these kinds of issues. Moving forward, it will be necessary for us to further energize our efforts toward breaking down barriers such as these.

Reference For more details regarding the Virtual Company System, please refer to page 12 (Business Report for Fiscal 2018).

Driving a Large-Scale Shift of Resources into Growth Domains

Moving on, I will explain my thinking with regard to the direction of our future business operations.

Refining Our Future Technological Capabilities Centered around "Electrification"

Utilizing the technologies that we have accumulated, we will work to further accelerate our product development efforts in the growth areas of electrification, automated driving and connected cars. Electrification, in particular, is the area which AISIN Group should fully focus its energies as a business that will support the Group in the medium to long term.

Currently, AISIN Group is engaged in transactions with automotive manufacturers all around the world as the world's top manufacturer of AT, and further demand is anticipated for the time being. In the future, however, the toughening of regulations on fuel economy and exhaust gas emissions in various countries worldwide will cause a shift away from gasoline-fueled cars and an increase in market shares for electric vehicles (EV) and hybrid vehicles,

and it is easy to envisage a decrease in demand for AT as a consequence of this.

For this reason, we are driving the development of technologies such as hybrid transmissions and eAxle (electric-powered drive unit for EV) to support powertrain electrification. In particular, we have dedicated Group resources into the development of motors, inverters and other key electrification technologies. Moving forward, it will be necessary to further expedite the development of these technologies.

We also have various other electric-powered products such as cooperative regenerative brake systems and electric-assisted parking brakes being developed by our Chassis & Vehicle Safety System business and power sliding doors and sunroofs being developed by our Body product business, and further market growth is expected in the future. I would like us to bolster these development efforts and build a solid position for ourselves in the electrification market. In order to accelerate our development efforts, however, I know that we cannot do everything ourselves. We will seek to enhance our business operations with an emphasis on speed, while collaborating with outside partners.

Promoting Scrap and Build with a View to Enhancing Our Competitiveness

In order to achieve sustainable growth for the company, it is necessary to improve the competitiveness of our existing businesses. However, in the midst of intense competition with rivals over development it is difficult to enhance all of our existing business operations equally, and it will therefore be more necessary than ever before to take a scrap and build approach to our businesses. Looking ahead, we will use market growth potential and AISIN Group's competitiveness as yardsticks to properly determine which businesses and products we should augment and those from which we should withdraw, in some cases making the bold move of scrapping some businesses and products where necessary.

Recently, we have made the decision to begin production of AT at Aisin AI, which was dedicated to the manufacture of manual transmissions (MT).

In recent years, the widespread popularization of AT is progressing not only in developed countries but also in newly developed countries, and MT production is declining globally. Because of this, we have decided to reduce the scale of our MT production capabilities in line with the decrease in market demand, and shift those resources into our AT production operations.

Efforts to Increase Productivity

To increase the competitiveness of our products, it is essential for us to increase productivity in the manufacturing workplace.

AISIN Group manufactures the same products at numerous locations around the world. By sharing information and wisdom among fellow employees manufacturing those products, I believe that we can increase productivity in a short period of time. Additionally, we will carry out work style reforms such as the review and overhaul of existing work duties and operations, including the utilization of AI, IoT, RPA* and other digitalization technologies, and the introduction of more flexible working systems. By creating an environment in which employees can work with greater motivation, I believe that this will also lead to further improvements in productivity and achieve a richer work-life balance.

*RPA (Robotic Process Automation): A general term for various initiatives and software robots aimed at automating and streamlining work processes to improve efficiency made possible through the use of rule engines, artificial intelligence, machine learning and other high-performance cognitive technologies

Promoting ESG Management with a View to Achieving Harmony with Society

In recent years, attention is gathering around Environment, society and Governance (ESG) management. AISIN Group is advancing management policies with an awareness of ESG as well. For example, with regard to corporate governance, we have appointed a diverse group of men and women to serve as external directors. These external directors engage in vigorous debates together with the other members of our Board of Directors from a diverse range of perspectives.

In terms of environmental aspects, we are working to develop products that contribute to

reducing CO₂ emissions, and introducing innovations such as equipment aimed at achieving zero CO₂ emissions at our factories, raising the target of zero emissions of CO₂ across our entire product lifecycle by 2050.

Moving forward, we will seek to further enhance our efforts from the perspective of resolving social issues through our business operations, and making a conscious contribution to achieving the Sustainable Development Goals (SDGs).

Sharing a Sense of Crisis throughout the Entire Group and Accelerating Our Transformation

I believe that we can only implement structural reforms if all of AISIN Group's 110,000 employees share the same sense of crisis and take positive and swift action. The important thing is to affect a change in thinking, and change according to the times, rather than following the common sense and conventional rules that have guided us until now. Looking ahead, we will continue to further accelerate our transformation in order to survive the next 100 years and beyond.

Moving forward, I want the entire Group to come together as one team and work hard to achieve our goals. I hope that all of our stakeholders will continue to expect great things from us in the future.



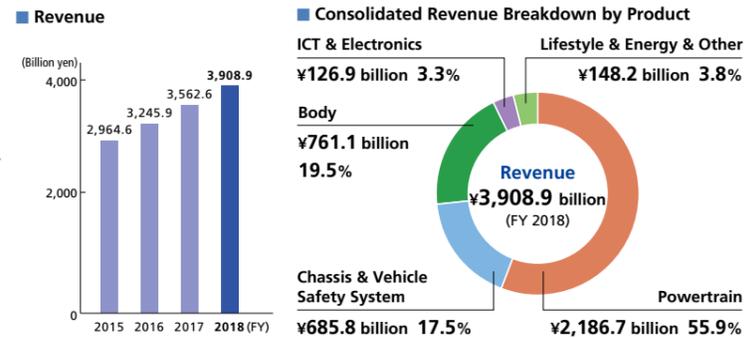
Introducing Our Achievements in Enhancing Competitiveness, Developing Innovative Technologies and Bolstering Our Manufacturing Capabilities

Review of FY2018

In fiscal 2018, revenue amounted to a record high ¥3,908.9 billion, an increase of ¥346.3 billion in comparison with fiscal 2017, due primarily to brisk sales worldwide of automatic transmissions (AT) and automotive body parts, coupled with contributions from the newly consolidated Art Metal Mfg.

A record high was also posted for operating profit, with a result of ¥253.8 billion, an increase of ¥25.2 billion in comparison with fiscal 2017. This was due to a growth in sales, the effects of activities to strengthen the Group's earnings structure and foreign currency transaction gains, despite unfavorable factors that included a rise in raw material cost prices and an increase in depreciation and amortization costs.

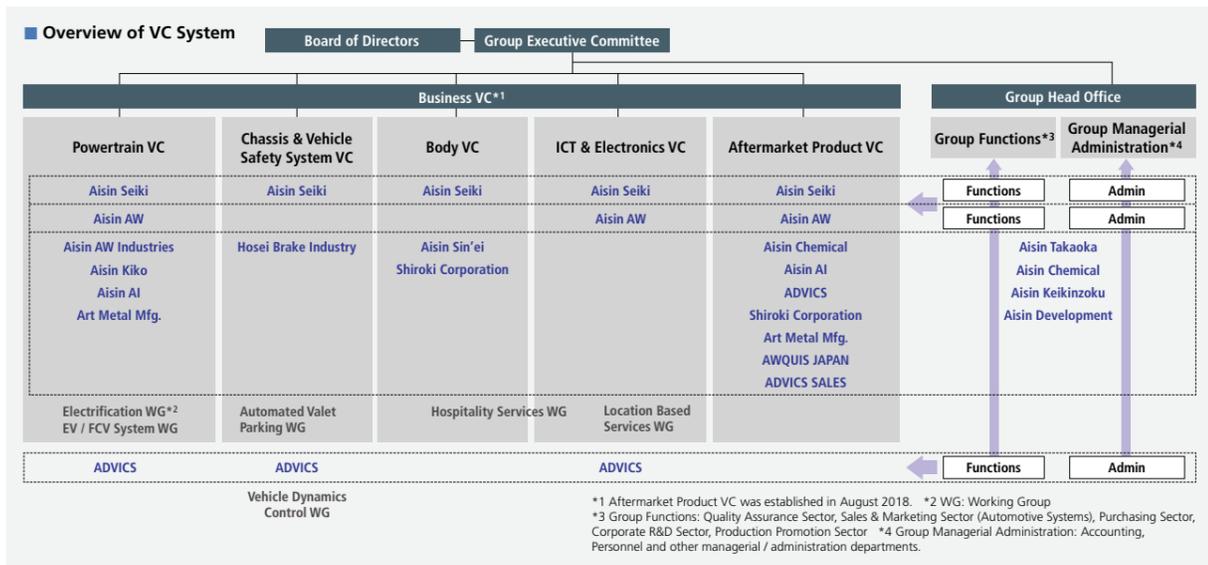
In fiscal 2019, we are working to achieve our targets of revenue of ¥3,980 billion, an increase of ¥71.1 billion in comparison with fiscal 2018, and operating profit of ¥255 billion, an increase of ¥1.2 billion.



Consolidating the Total Capabilities of the Group with the Virtual Company (VC) System

The automotive industry is currently experiencing various changes, including the progressive evolution of zero emission and automated driving technologies, as well as the widespread popularization of connected cars. Consumer lifestyles are also changing, with cars shifting from being viewed as something you "own" to something you "use." Competitors and rules in the industry are also changing drastically. Companies with no previous connection to the automotive industry, such as IT and electrical appliance manufacturers, have now entered the shared automotive marketplace. Another major challenge is the continued tightening of regulations on fuel economy and exhaust gas emissions.

Amid these environmental changes, in April 2017, we introduced a Virtual Company (VC) System as a means of enhancing the competitiveness of the Group as a whole. Using this system, we are consolidating various Group companies according to business lines, concentrating the technological capabilities developed by each of them, and engaging in product development, production and sales as if each line of business were a single unified company. As our four virtual business companies work to improve the competitiveness of our existing business operations, we are also advancing



development efforts in three areas of focus: zero emissions, automated driving and connected cars, while aiming to make further leaps ahead.

Auto Parts Business

<Powertrain>

Responding to the increase in demand for AT and increasing production capabilities to 13.2 million units

In our Powertrain business, given the fact that demand for automatic transmissions (AT) is expected to continue increasing through 2020, we made the decision to carry out 10 projects to augment our production capabilities, primarily in Japan and China. Efforts are now underway in these projects, with a view to achieving a production capacity of 13.2 million units in order to meet the global increase in demand for AT.

From 2020 onward, we believe that accelerating our response to vehicle electrification—the shift toward electric vehicles (EV)—will become an urgent priority due to the major toughening of regulations on fuel economy and exhaust gas emissions in countries around the world. To that end, we are working to enhance our product lineup, such as by accelerating the development of EV-oriented technologies including our 1-Motor Hybrid Transmission and eAxle.

Reference For more details regarding AISIN's Powertrain Business Growth Strategies, please refer to pages.16–21.

<Chassis & Vehicle Safety System>

Enhancing the competitiveness of our brake-related products business

In our Chassis & Vehicle Safety System business, in order to build an efficient development and production framework for our brake-related business, we have reorganized our operations into a business operating structure centered mainly around ADVICS and seek to build optimal production capabilities to enhance our competitiveness.

With regard to electronically controlled brake systems, we have transferred development and production functionality from DENSO Corporation to ADVICS and consolidated Aisin Seiki's production capabilities with ADVICS. With regard to basic braking systems, in August 2017 the decisions were made for Hosei Brake Industry to become a consolidated subsidiary of ADVICS, and for ADVICS to acquire Nisshinbo Brake Inc.'s drum brake operations. We are also consolidating our disk brake and passenger car drum brake operations.

Meanwhile, looking to the future, aside from the increase in demand for technologies such as cooperative regenerative brake systems (accompanying the shift toward EV) and electronically controlled brake systems used in automated driving, it will also be necessary for us to respond to an increase in demand for motors and electronic devices such as electronic control units (ECU). Therefore, from a perspective also including our ICT & Electronics business operations, the decision was made to expand the ADVICS Handa Plant, which manufactures brakes, and to carry out the simultaneous reorganization of Aisin Seiki's Handa Plant and Handa Electronics Plant, which produce vehicle safety system and electronics-related products. In this way, we are working to achieve medium-to-long-term growth with respect to future market expansion.

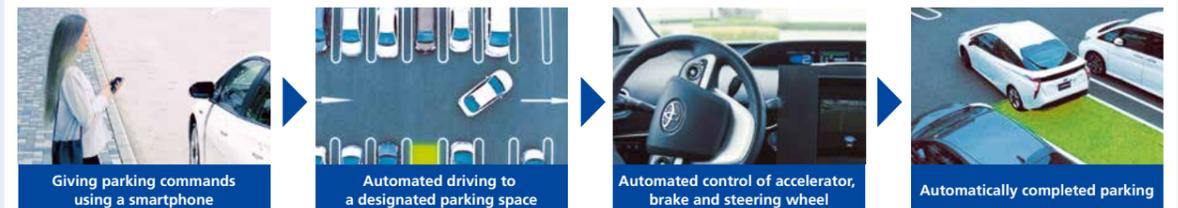
Column

Technological development case study: The evolution of our parking assist systems

Working toward the goal of resolving parking-related issues such general inconvenience, waiting times and accidents, we are advancing the development of systems for achieving completely unmanned parking. This system can be controlled by remote from the user's home, and is achieved through increasing the precision of our parking assist systems and the evolution of route learning.

Through the further advancement of these basic technologies, we are also developing automated valet parking systems, which will automatically drive the car to a parking space and park it after the driver and passengers have exited the vehicle at the parking entrance.

Automated valet parking in a dedicated parking space



<Body>

Enhancing the competitiveness of our body-related products business

In our Body business at Aisin Seiki, Aisin Sin'ei and Shiroki Corporation—the three companies that make up our Body Product VC—we are working to increase the efficiency of our production framework using the advantage of scale and to rebuild our supply network, seeking to make maximum effective use of the resources and capabilities of each

individual company. We are also conducting “best mix” activities, in which we thoroughly compare the equipment and production processes at each company to create the best possible combination, as well as working to enhance our competitiveness by achieving further cost reductions. For example, in the production of door frames, we have combined Aisin Seiki’s high-speed fabrication with Shiroki’s parts conveyance technologies to develop an automated production line which has enabled us to improve and double our production speed and to achieve space and cost reductions of 10% and 15%, respectively. Moving forward, we will continue working to further increase the efficiency and sophistication of our production processes.

Column

Systems development toward achieving the realization of hospitality services

AISIN Group is working to achieve the goal of providing automotive hospitality services by combining technologies in which it has advanced the electrification of various car body-related products (such as power slide doors) with internal and external recognition technologies and navigation and positioning information. We are currently developing safety door technologies, such as door systems that protect passengers by blocking door operation when a hazard (such as another vehicle approaching from the rear) is detected as the passenger is trying to exit the vehicle, and door systems that automatically control the opening and closing of doors to prevent collisions by detecting the proximity of neighboring vehicles or obstacles.

Watch over and protect safety door system

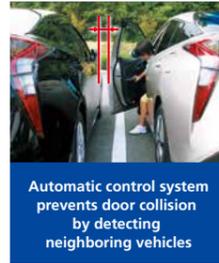


Detects vehicle approaching from the rear



Automatic control system prevents door from opening

Stop safety door system



Automatic control system prevents door collision by detecting neighboring vehicles

<ICT & Electronics>

Enhancing competitiveness through innovation in production

In our ICT & Electronics business we are developing and manufacturing ECUs, sensors, actuators and other electronic components to control car navigation systems, AT, braking systems, power sliding door systems and various other systems to support comfortable lifestyles for car users. The fundamental electronic technologies that support the development of systems for car electrification, automated driving, hospitality services and similar technologies are expected to become even more important in the future, and the numbers of electronic components installed in cars are expected to increase.

In view of these market trends, and as a step toward shared standardization of electronic components, we have developed and introduced a “simple-slim” assembly line by condensing our existing 30m-long assembly line (comprised of various general-purpose equipment) into a highly-compact 1.5m line. The new assembly line achieves four times the production capacity per investment and major space saving benefits, enabling us to enhance the competitiveness of our ECU production capabilities.

Conventional assembly line comprised of general-purpose equipment



30m
1.5m

Simple-slim assembly line

Length of line reduced from 30m to highly-compact 1.5m
Four times the production capacity per investment and major space saving benefits



1.5m

Strengthening our foundation with a view to next-generation development

As a means of strengthening our development foundation to support our future competitiveness, we have established the Daiba Development Center, located in the Tokyo Waterfront City district. The center serves as base of operations for advanced development, with a primary focus on AI technologies, as well as information gathering and public relations activities.

We have also formed a capital partnership agreement with Idein Inc., a company engaged in the development of image recognition technologies in the field of AI. Additionally, we have established Fenox Venture Company XX, L.P. in Silicon Valley in the United States as a fund for seeking out and discovering start-up companies from around the world.



Daiba Development Center



Fenox Venture Company XX, L.P.

Main products adopted by car manufacturers

Toyota LEXUS LS500, LS500h

Rapid Vehicle Height Adjustment Air Suspension System

This system adjusts the height of the vehicle when people get in and out, an example of AISIN “hospitality services” that offer users greater comfort and a more pleasant driving experience. We have also improved the durability of the system and implemented noise reduction technology during adjustment operations.



The user places hand on the door handle when entering the vehicle.



The suspension system immediately adjusts vehicle height.



The vehicle rises to a height that facilitates easy entry (+30mm).



Pneumatic Seat Systems

With 28 seat support adjustment variations, the system contributes to improving hold and user comfort. The seats also include a “refresh” function, in which high-performance air bladders are inflated to apply pressure and support the user’s body.



(Seat frame)

Toyota Camry

TNGA FF 8-Speed Automatic Transmission

Multistage structure and the adoption of a compact, high-performance torque converter help to achieve a direct-feeling driving experience. The transition also contributes to improving fuel economy due to its reduced weight and compact size.



Renault Megane RS

Active Rear Steering System

The system provides support by actively steering the rear wheels, enabling accurate cornering when driving at high speeds and easy handling when driving at lower speeds.



Sunroofs

AISIN Group is expanding its sales of products aimed at Chinese domestic automobile manufacturers, offering products with the appropriate external appearance to cater to local needs, as well as reducing the numbers of components and overall weight.

Guangzhou Automobile GS8

Panoramic Sunroof



Geely Automobile Emgrand GS / JAC Motors Refine R3

Tilted and Inner Sunroof



In the field of advanced development for automated driving, we have invested in Toyota Research Institute Advanced-Development. Moving forward, we plan to pursue collaborative technological development efforts together with Toyota and DENSO.

Lifestyle & Energy Related Business

Supporting enriched lifestyles

In our Life & Amenity business, we have opened the COCON AOYAMA concept shop on Aoyama Street, Tokyo, in order to further increase recognition of our ASLEEP brand of beds and bedding. The shop introduces new products including our FINE REVO & Airweave mattresses.

In our energy-related business, we have focused our attention on the extent to which we can optimize energy costs. As part of this effort, we have developed a hybrid air-conditioning system combining a gas heat pump and electric motor-powered heat pump in a joint development effort together with Tokyo Gas Co., Ltd., Osaka Gas Co., Ltd. and Daikin Industries, Ltd. Moving forward, we will continue to contribute to energy saving and reducing environmental impact through the widespread popularization of these air conditioning systems.

COCON AOYAMA concept shop



Smart Multi hybrid air-conditioning system



Special Feature

Driving AISIN Group: AISIN's Powertrain Business Growth Strategies

AISIN's powertrain business provides a wide-ranging lineup of transmissions and other powertrain solutions for vehicle manufacturers around the world, from compact to luxury cars, and from SUVs to small trucks.

We will introduce initiatives in our powertrain business with the aim of achieving our medium-to-long-term growth.



A flagship business supporting the Group's medium-to-long-term growth

Our powertrain business is a key flagship business that supports our medium-to-long-term growth. This fact is reflected in business results for fiscal 2018, in which the powertrain business generated revenues of ¥2.1867 trillion, accounting for 55.9% of AISIN Group revenues overall.

In this market, the demand for automatic transmissions (AT) is expected to increase mainly in developing countries by around 2020. In the future, it is presumed that the market share of electric power-

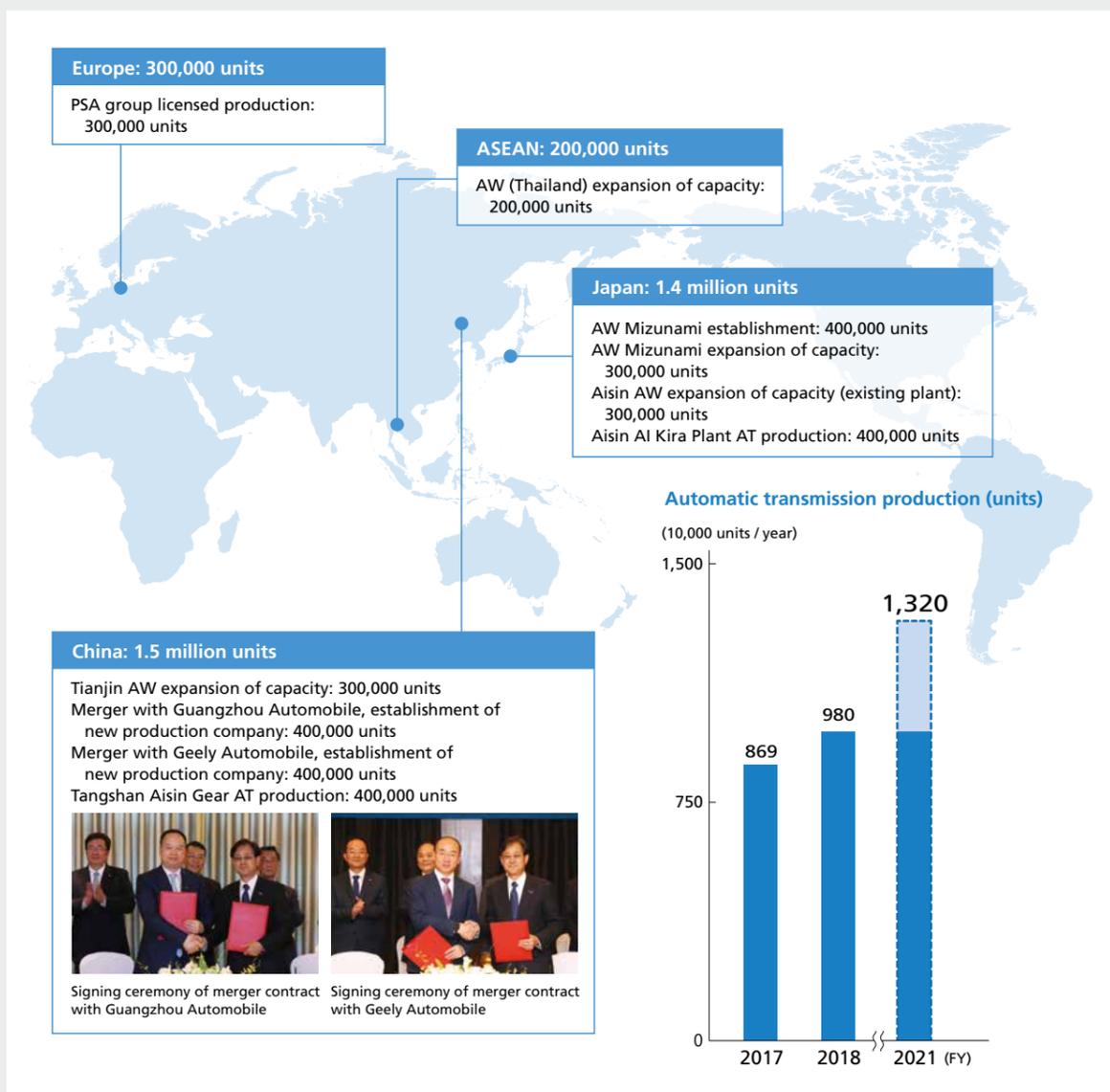
trains will increase dramatically along with the toughening of regulations on fuel economy and exhaust gas emissions in countries around the world. In order to respond to these market trends, AISIN Group is promoting two business strategies: Expansion of shares, along with increasing demand for AT in developing countries and China, and advancement of electric transmission development utilizing accumulated technologies in AT and hybrid transmissions.

Promoting 10 projects for increasing demand for automatic transmissions

With regard to our response to increasing demand for automatic transmissions, we are bolstering our production capacity by 3.4 million units (with respect to our fiscal 2018 production volume of 9.8 million units) by implementing 10 projects focused primarily on Japan and China. These projects include the establishment of new production locations and bolstering of production capabilities at existing

facilities. In this way, we have determined that we will establish a production system of 13.2 million units by fiscal 2021. In particular, in China, which is growing rapidly, we have formed alliances with local vehicle manufacturers in aiming to build long-term partnerships and are determined to establish joint companies with Guangzhou Automobile and Geely Automobile to produce FF6 automatic transmissions.

10 projects with the goal of 13.2 million units of AT production



Enhancement of product lineup for electrification

In response to major toughening of regulations on fuel economy and exhaust gas emissions in countries around the world, the development of a variety of electric vehicles, such as hybrid electric vehicles (HEV), plug-in hybrid electric vehicles (PHEV), battery-electric vehicles (BEV) and fuel cell electric vehicles (FCEV) is in progress. However, it is difficult to predict which electric vehicles will be adopted in the market and to what extent. AISIN Group will accelerate the development of electric powertrains based on its basic policy of enhancing its product lineup to be

able to handle any type of electric vehicle and contribute to the realization of a sustainable society.

For HEV and PHEV, we have developed a 1-motor hybrid transmission based on the accumulated technologies in 2-motor hybrid transmissions, which we have provided for Toyota hybrid cars. In addition, for PHEV, BEV and FCEV, we are advancing the development of eAxle (electric drive unit) based on the accumulated technologies in the electric 4WD driving unit, which we have provided for the Toyota Prius.

Product lineup of electrification-related products

Markets		Product lineup	Development situation	
Electric vehicles	BEV / FCEV	eAxle series 	Under development	
	Strong HEV	PHEV	eAxle series 	In mass production/under development
		PHEV, HEV	2-motor hybrid transmissions  1-motor hybrid transmissions 	In mass production Mass production to be started in January 2019
	Mild HEV	AT	Under consideration	
Gasoline-fueled vehicles		AT	In mass production	

1-motor hybrid transmission development initiatives

The 1-motor hybrid transmission adopts a simple structural design, placing a motor and engine cut-off clutch instead of the torque convertor in existing AT.

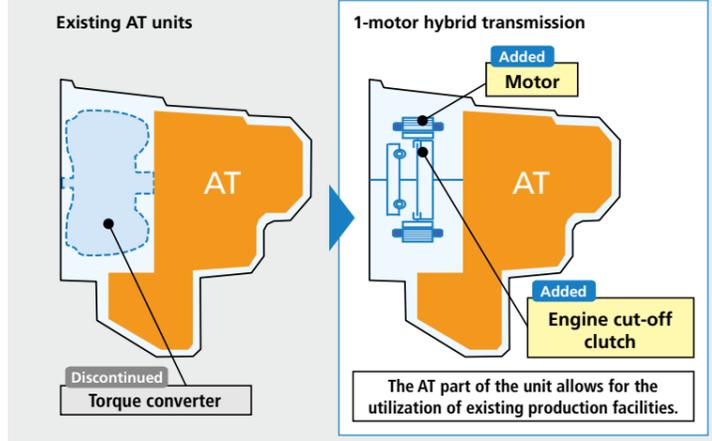
For low-speed driving with low engine efficiency, engine output is separated by means of a clutch to realize BEV driving using a motor. For high-speed driving, a transmission is used to facilitate acceleration without waste. Using a motor or engine at the

appropriate timing during low- and high-speed driving yields a dramatic improvement in fuel economy and contributes to a straightforward and sporty drive.

In addition, because the transmissions are produced using existing AT facilities, past production resources and expertise can be utilized, which reduces additional capital investments and develop-

ment costs and improves product competitiveness.

1-motor hybrid transmissions



Selected to PSA Group's DS7

Exhibited for the first time at Paris Motor Show

The Paris Motor Show was held October 2-14, 2018, and AISIN Group exhibited the 1-motor FWD PHEV transmission, which was mounted on PHEV models of the PSA Group DS7 for the first time.



DS7 Crossback E-Tense 4x4

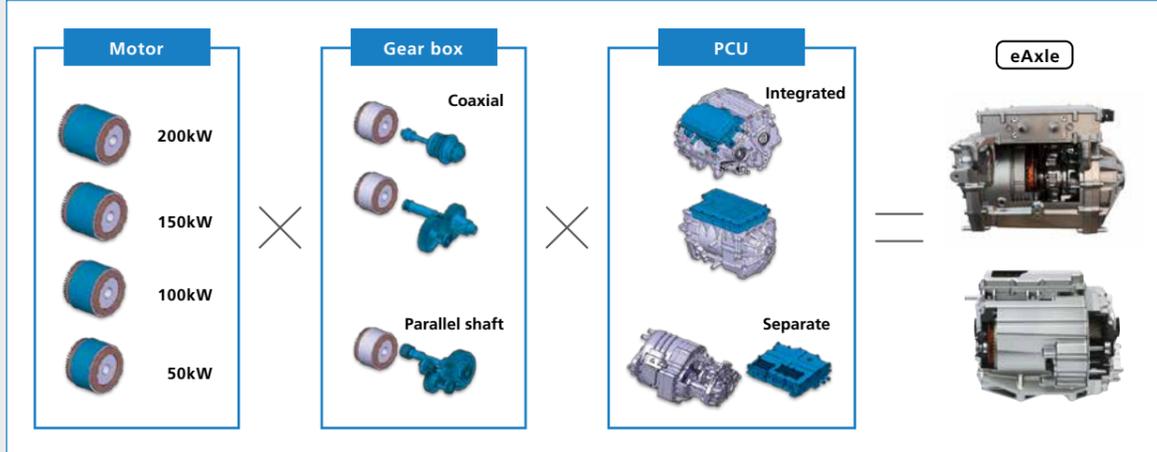
eAxle series development initiatives

By combining a motor, gear box and power control unit, eAxle can provide the optimal electric drive module that satisfies customer needs.

For example, in the case of motors, eAxle can adapt to any type of car, from compact cars to buses

and trucks, by providing the capacity that meets a customer's car model and needs, combining a coaxial or parallel shaft reducer with an integrated-type or separate-type power control unit.

eAxle



Driving a change in business structure toward electrification, and achieving further growth

Forecast in the powertrain market

AISIN Group has formulated future growth strategies envisaging three different patterns based on BEV and FCEV total adoption rates of 10%, 20% and 30% in the year 2030. These market predictions are based on the assumption that vehicle manufacturers successfully clear the fuel economy and exhaust gas emission regulations established in various countries around the world. The following will introduce patterns based on the BEV adoption rates of 10% and 30%.

When the BEV and FCEV total adoption rate is 10% (pattern 1)

In this pattern, where the adoption rate of BEV and FCEV with good fuel economy and environmental

friendliness is low, for vehicle manufacturers to clear the fuel economy and exhaust gas emission regulations, it is necessary to reduce sales of gasoline-fueled vehicles, which are inexpensive but have low fuel efficiency, and increase sales of HEV instead. This means that the changeover from AT to hybrid transmissions will be in powertrains. However, it is presumed that a certain number of hybrid transmissions will be 1-motor hybrid transmissions based on AT.

Therefore, in this pattern, we forecast that a certain level of demand for AT-based transmissions will continue. In addition to existing AT, AISIN Group will launch 1-motor hybrid transmissions and 2-motor hybrid transmissions, aiming to expand our market share.

When the BEV and FCEV total adoption rate is 30% (pattern 3)

On the other hand, when BEV and FCEV are adopted for approximately 30%, vehicle manufacturers can pass the fuel economy and exhaust gas emission regulations. Therefore, there is no need to reduce sales of gasoline-fueled vehicles, whose prices are low, which means the adoption rate of AT will not decrease dramatically.

In this pattern, we also forecast that a certain level of demand for AT will continue. In addition to

Sales target in the powertrain business

Based on the information above, we have developed the following sales plan by product in the powertrain business:

We forecast that the markets of gasoline-fueled vehicles and HEV that are based on AT will be maintained for the time being. Therefore, in addition to our anchor product, AT, we plan to launch 1-motor hybrid transmissions, which can effectively utilize the production facilities for AT, to continue to stably

maintaining our market share in the existing AT market, AISIN Group will launch eAxle for the BEV and FCEV markets, aiming to expand our market share.

As described above, assuming that vehicle manufacturers will comply with the fuel economy and exhaust gas emission regulations, we forecast that a certain level of demand for ATs will continue, regardless of fluctuations in the BEV and FCEV adoption rate.

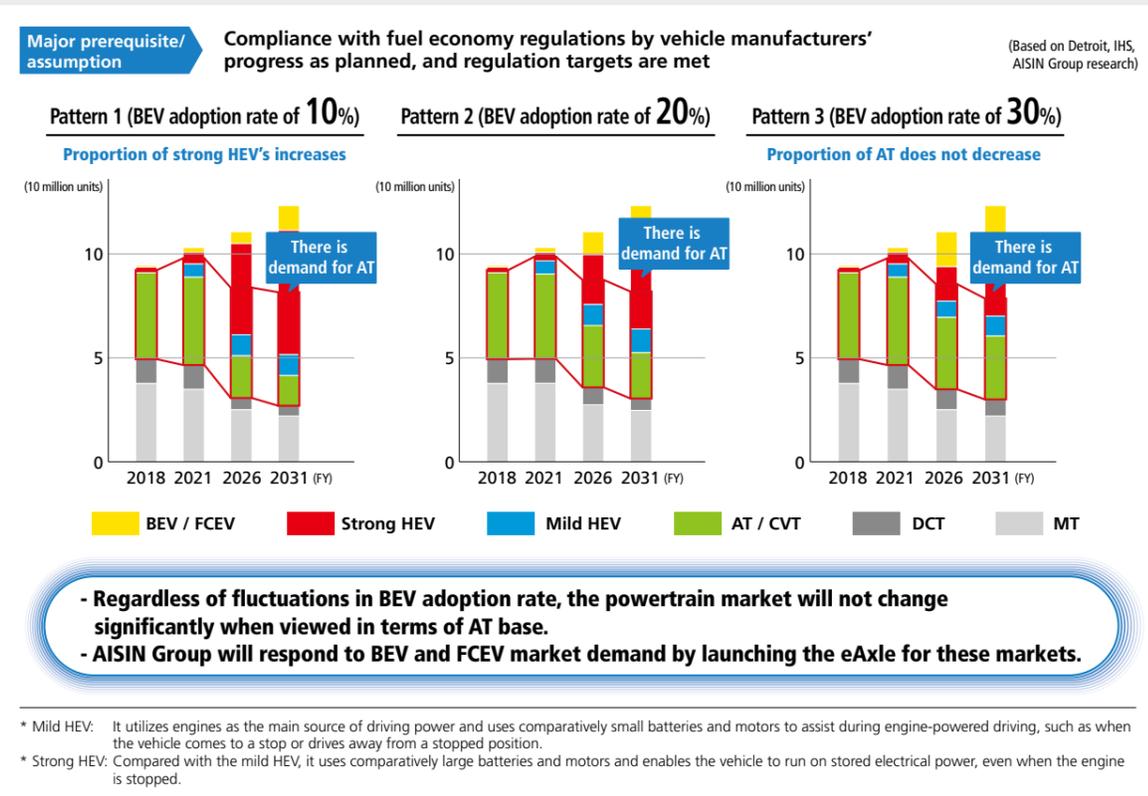
secure our sales volume from 2020.

Also, for the markets of HEV, PHEV, BEV and FCEV, we will launch 2-motor hybrid transmissions and eAxle at an early stage to adapt to market expansion.

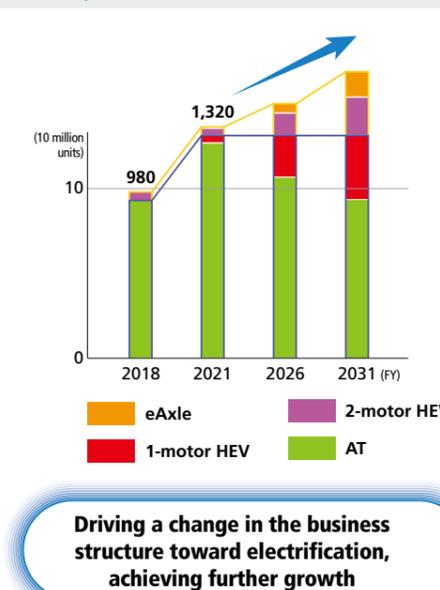
In this way, AISIN Group will steadily drive a change in the business structure toward electrification by providing attractive product lineups for electrification and establish a solid position in the electric powertrain market.

Our revenue target for our powertrain business in fiscal 2021 is ¥2.5 trillion, and we will aim to achieve further increases in revenue as we head toward fiscal 2026 and fiscal 2031.

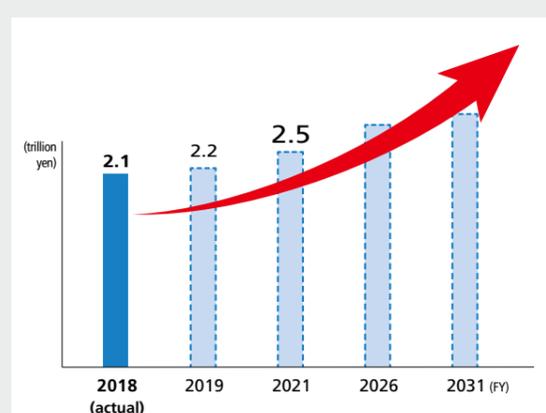
Predicted global powertrain market trends



Sales plan in the powertrain business (BEV adoption rate: 20%)



Powertrain business revenue targets



Ten-Year Consolidated Financial Summary

(Units: Million yen)

	Japanese accounting standards (JGAAP)									International Financial Reporting Standards (IFRS)		
	FY2009	FY2010	FY2011		FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018
Consolidated Financial Position and Consolidated Financial Results												
Revenue [Net sales]	2,214,492	2,054,474	2,257,436		2,304,168	2,529,964	2,822,215	2,964,619	3,243,178	3,245,985	3,562,622	3,908,937
Operating profit (loss) [Operating income (loss)]	(3,489)	87,546	137,266		121,832	148,892	171,196	166,103	176,435	192,722	228,691	253,808
Profit (loss) before income taxes [Income (loss) before income taxes and minority interests]	(14,983)	57,665	147,894		129,140	158,725	189,462	184,062	186,887	194,060	237,311	268,171
Profit for the period attributable to owners of the parent [Profit (Loss) attributable to owners of parent]	(25,149)	16,605	69,643		55,497	77,518	90,089	77,550	96,974	100,332	126,653	134,551
Total equity [Net assets]	814,506	871,889	917,704		969,307	1,136,343	1,328,503	1,532,776	1,477,990	1,558,468	1,694,864	1,803,129
Total assets	1,731,689	1,981,988	1,978,225		2,073,836	2,248,100	2,587,623	2,931,175	2,864,816	3,009,377	3,338,339	3,527,910
Capital expenditures	220,223	83,821	133,283		150,798	195,032	204,736	247,815	294,188	294,188	237,449	260,315
Depreciation	182,057	169,667	144,831		137,757	139,220	149,038	161,028	188,213	186,197	197,168	213,430
R&D expenditure	115,994	101,102	111,430		121,449	135,067	144,383	149,132	162,635	162,635	167,719	182,900
Per Share Data												
EPS (Basic earnings per share [Earnings (losses) per share]) (yen)	(89.36)	59.00	247.46		197.04	275.05	319.48	274.69	342.67	354.53	444.46	490.22
BPS (Equity attributable to owners of the parent per share) [Net assets excluding subscription rights to shares and minority interest per share] (yen)	2,202.86	2,328.68	2,440.39		2,573.95	3,038.88	3,542.60	4,109.21	3,891.58	4,127.31	4,426.12	4,861.68
Cash dividends per share (yen)	40.00	30.00	50.00		50.00	75.00	95.00	95.00	100.00	100.00	12.005	150.00
Consolidated Cash Flows												
Cash flows from operating activities	114,668	303,788	273,627		167,291	256,343	286,606	239,771	292,193	294,184	394,812	311,542
Cash flows from investing activities	(223,752)	(331,630)	14,833		(195,165)	(198,693)	(265,405)	(261,354)	(237,260)	(228,437)	(229,109)	(229,346)
Cash flows from financing activities	75,743	34,817	(63,932)		(66,537)	(43,967)	(1,886)	(17,734)	(77,163)	(88,162)	(31,617)	(73,634)
Cash and cash equivalents	143,804	152,727	372,179		275,656	298,197	328,024	294,692	263,217	263,217	394,559	406,508
Consolidated Financial Indicators												
Operating profit (loss) margin (%)	(0.2)	4.3	6.1		5.3	5.9	6.1	5.6	5.4	5.9	6.4	6.5
Ratio of equity attributable to owners of the parent company to total assets (Capital adequacy ratio) (%)	35.8	33.1	34.7		35.0	38.1	38.6	39.6	38.5	38.8	37.0	37.1
ROE (Return on Equity) (%)	(3.6)	2.6	10.4		7.9	9.8	9.7	7.2	8.6	8.4	10.5	10.6
ROIC (Return on Invested Capital) (%)	(0.1)	6.1	10.8		9.0	11.6	11.4	9.0	9.7	9.8	11.5	11.6
Number of Employees												
	73,201	73,213	74,671		78,212	83,378	89,531	94,748	99,389	99,389	110,357	114,478

[]: Brackets indicate Japanese accounting standards (JGAAP).

1. From fiscal 2017 onward, consolidated financial reports have been prepared based on International Financial Reporting Standards (IFRS). For fiscal 2016, figures converted to IFRS base are also provided.

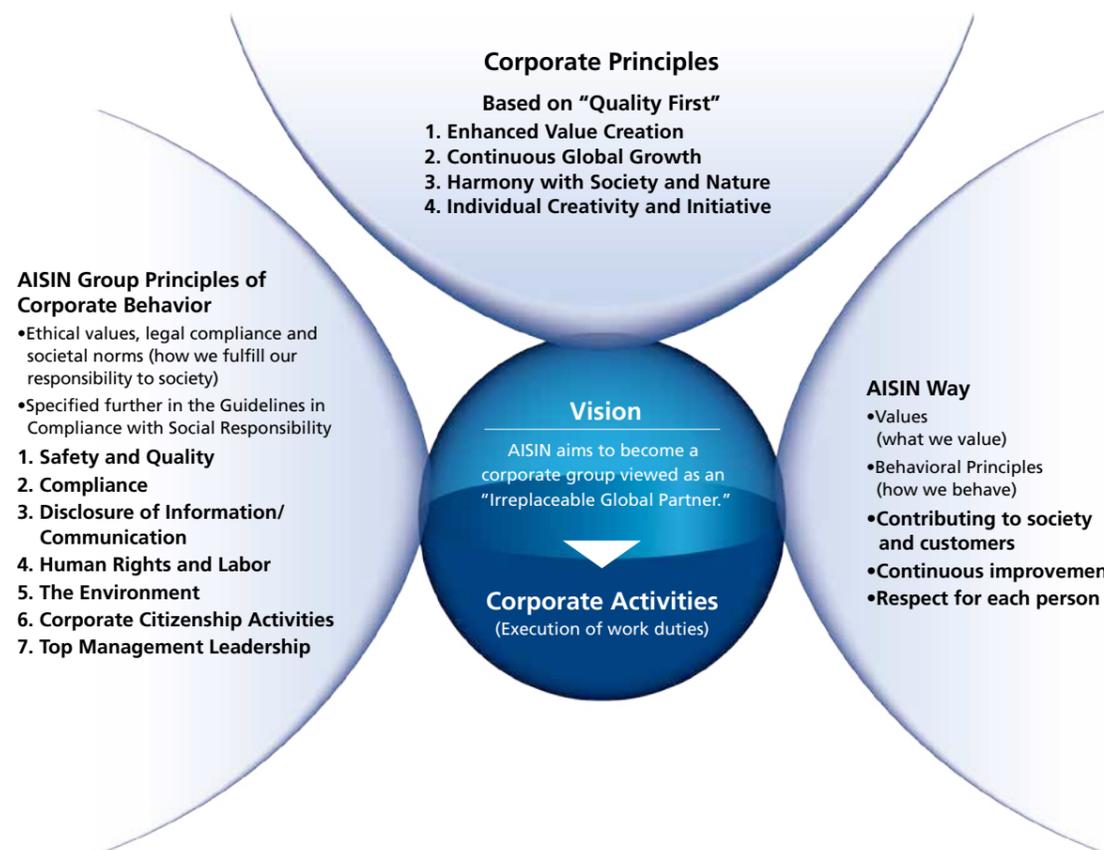
2. Because revenue recognition standard has been changed from fiscal 2016 onwards, figures shown for fiscal 2015 were obtained by applying the accounting policy retroactively.

3. ROIC (Return on Invested Capital): Operating profit after income tax ÷ (Inventories + Property, plant and equipment + Intangible assets)

Promoting ESG to Support Medium-to-Long-Term Corporate Value

Under its Corporate Principles based on “Quality First,” 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.

In recent years, primarily among institutional investors, attention is gathering around initiatives to evaluate corporate activities from the three perspectives of ESG (Environment, Society and Governance) and to utilize such evaluations in making investment decisions. AISIN Group is also promoting its CSR activities from an ESG standpoint to build a foundation to underpin medium-to-long-term growth. In the future, while keeping in mind the Sustainable Development Goals (SDGs), a set of common goals for international society to work toward achieving by the year 2030, AISIN Group will aim to contribute to solving social issues.



AISIN Group will promote its CSR activities from an ESG perspective.



Governance

AISIN Group places importance on implementing fair and highly transparent management activities, and is striving to improve and enhance its corporate governance with a view to maximizing its corporate value, as an organization trusted by all of its 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 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 promote CSR activities based on these principles in overseas Group companies in light of the circumstances in respective countries and regions.

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

Posters of the Principles of Corporate Behavior



English Chinese

Implementing corporate principles through education and enlightenment

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, CSR management training (for managers) and basic CSR training (for employees) are conducted at the six core Group companies. Training for members of top management is also conducted at overseas locations for the purpose of improving management capabilities and instilling an understanding of the AISIN Way, which conveys our values and behavioral principles.



TOPICS

CSR management training for improving awareness of management personnel

AISIN Group's six core Group companies conduct CSR management training for management personnel in accordance with a common training program. As a preparatory step, all participating personnel are required to complete an e-learning course in which they cannot proceed to the next stage until they have answered all questions correctly. In fiscal 2018, a total of 1,315 participants raised their level of knowledge and awareness with regard to CSR through this training program.

Corporate Governance

Basic Policy

1. AISIN Group respects the rights of shareholders, ensures shareholder equality and endeavors to create a suitable environment for ensuring the appropriate exercise and protection of rights.
2. AISIN Group endeavors to cooperate with other stakeholders aside from shareholders (i.e., customers, suppliers, employees and members of local communities), with sincerity and integrity, based on common sense and social values.
3. AISIN Group discloses information appropriately in accordance with applicable laws, and endeavors to proactively

communicate information other than that disclosed in accordance with such laws, and to ensure transparency in its activities.

4. In order to ensure transparency, fairness and agility in its decision making, AISIN Group endeavors to ensure appropriate execution of the roles and responsibilities of its Board of Directors.
5. AISIN Group endeavors to hold constructive dialogues with its shareholders, based on a shared directionality for stable long-term growth.

Aiming to operate with fairness and transparency

AISIN Group 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 external 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, group-wide committees such as the Consolidated Business Ethics Committee, the Consolidated Risk Management Committee, the Consolidated Environmental Committee and the Consolidated Safety and Health Committee, which include participants from the 14 main Group companies, formulate and implement basic policies for ensuring appropriate execution of duties and minimizing risks. Employees are then made thoroughly aware of these policies and encouraged to implement them in their work duties through the use of written guides and training seminars. The committees then conduct monitoring to verify the effectiveness of these activities through *genchi genbutsu* (go and see for yourself).

With regard to auditing activities conducted by internal auditing departments, as of January 2018, the Group has sought to enhance its auditing structure

by consolidating auditing functionality for its 14 main Group companies within Group headquarters. Moving forward, it plans to audit all of the Group's consolidated subsidiaries on a regular basis using the *genchi genbutsu* approach.

Additionally, a summary of all activities geared toward improving and strengthening internal controls is reported at a meeting of the Board of Directors, held during April of each year, to verify the adequacy of these initiatives.

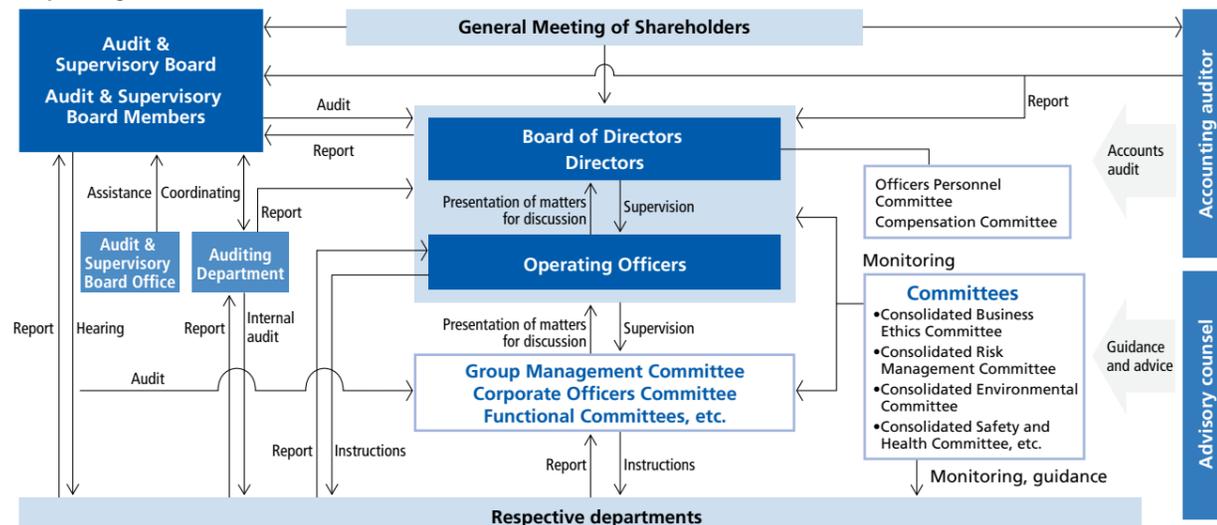
TOPICS

Establishment of an Advisory Committee

AISIN Group has established an Advisory Committee, through which it receives a range of advice from experts with extensive experience and knowledge of management and economic issues. The committee receives advice and exchanges opinions regarding topics such as the regional economic outlook, the impact that the shift toward electric-powered vehicles and restrictions such as those on fuel and exhaust gas will have on the automotive industry, along with various other local issues affecting each business region.



Corporate governance structure



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 of Aisin Seiki and AISIN Group.
- **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.

External directors' attendance of Board of Directors meetings (Unit: %)

	FY2016	FY2017	FY2018
Attendance of Board of Directors meetings	97	98	96

External Audit & Supervisory Board members' attendance of Board of Directors and Audit & Supervisory Board meetings (Unit: %)

	FY2016	FY2017	FY2018
Attendance of Board of Directors meetings	94	94	93
Attendance of Audit & Supervisory Board meetings	93	93	98

Compensation amounts for Directors and Audit & Supervisory Board members

Category	Total compensation amount (million yen)	Total by compensation type (million yen)		Number of applicable Directors (persons)
		Basic compensation	Bonus	
Directors (External Directors)	687 (36)	419 (36)	268 (—)	17 (3)
Audit & Supervisory Board members (External Audit & Supervisory Board members)	124 (25)	124 (25)	— (—)	5 (3)
Total	812	544	268	22

(Note) 1. At the 89th ordinary shareholders' meeting held on June 19, 2012, it was approved that the maximum basic compensation for Directors is 70 million yen per month.
 2. At the 87th ordinary shareholders' meeting held on June 23, 2010, it was approved that the maximum basic compensation for Audit & Supervisory Board members is 15 million yen per month.
 3. The amount of the above-mentioned bonus was approved at the 95th ordinary shareholders' meeting of our company.

Compliance

Communication of our basic social responsibilities

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

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.

In April 2018, the Group held a meeting of the Consolidated Business Ethics Committee, with top-level management and compliance officers from each of the 14 main Group companies. Looking ahead, we will

seek to further enhance coordinated efforts within the Group and work to improve the level of our compliance activities.

Compliance education and training

Based on the belief that people are the key driving force in all compliance activities, 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 2018, the Group sought to expand the scale and raise the level of its training programs, conducting training courses for management personnel in relevant departments of its 14 main Group companies on topics such as the Antimonopoly Act (the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and the Product Liability Act. In October, AISIN Group Business Ethics Campaign Month was held, creating an opportunity for all employees to reflect on their normal routine and consider business ethics.

During our Business Ethics Campaign Month, we conducted compliance awareness surveys of all employees at all of the consolidated Group companies in Japan. In fiscal 2018, we received around 70,000 responses, and confirmed that compliance awareness is spreading and increasing in the workplace.

Also in fiscal 2019, the Compliance Promotion Department at Group headquarters is seeking to instill compliance awareness by conducting training for representatives from all relevant departments of our consolidated Group companies in Japan directly.



Compliance promoter training seminar

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

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

Compliance hotline contacts (Aisin Seiki)

	FY2016	FY2017	FY2018
Internal and external contacts	97	113	135

Risk Management

Global risk management system

AISIN Group's Consolidated Risk Management Committee, which includes participants who are senior management from the 14 main Group companies, identifies risks that could have a serious impact on the Group's corporate operations. Group companies work together to strengthen the risk management system and enhance risk response capabilities. The goal is to expose and prevent risks and create a company with a strong resistance to risk under the leadership of the Chief Risk Officer (CRO).

In our global risk management system, the Consolidated 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 share information regarding the Group's common risks and risks specific to each country and/or region, and implement measures in an effective manner to counter these risks.

Looking ahead, we will seek to further raise the level of cooperation within the Group and enhance our risk management activities from a global perspective.

Developing human resources and a framework resilient to disasters

As part of group-wide efforts to build resilience against disasters, 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).

As a countermeasure to mitigate damage in the event of a major earthquake, we are implementing the AISIN Global Safety Standards (AGSS), together with planned disaster mitigation measures based on experiences from the

Kumamoto earthquakes in 2016. Furthermore, in order to effectively communicate our realizations and lessons learned from the Kumamoto earthquakes, we also hold the AISIN Group Business



AISIN Group BCP Conference (on Kumamoto Earthquakes Day)

Continuity Plan (BCP) Conference every year on the same date upon which the earthquake occurred, with top-level management, corporate officers and employees from relevant departments of the 14 main Group companies participating.

Disaster mitigation measures implemented during fiscal 2018

- Secured buildings, hoists, cranes, power transformers, storage racks and large-scale equipment, etc., at factories of all Group companies.

Enhance initial response capabilities for large-scale disasters

AISIN Group is enhancing its response capabilities in preparation for responding to the occurrence of earthquakes and other large-scale disasters, with the basic policies of saving lives, ensuring safety, contributing to local communities and restoring production.

In November 2017, in addition to the response headquarters system that was already in place at each Group company, we also established a Group General Headquarters system for the purposes of centralizing information and enhancing collaborative efforts for giving and receiving aid with the aim of enhancing our practical capabilities in the event of a disaster situation, and conducted a Group General Headquarters initial response simulation training drill.

This training drill simulated the occurrence of a large-scale “megathrust” earthquake originating in the Nankai Trough, and verified operational and information gathering methods and decision-making content required in order for the response headquarters to the make an effective initial response, based on coordination between the Group General Headquarters and other Group company locations.

Individual locations also enhanced their initial response capabilities by conducting practical training drills required in order to reliably implement initial response measures (including firefighting, rescue, emergency aid, peripheral damage surveys, judgment of safety to enter buildings and daytime and nighttime evacuation drills).

Group General Headquarters training drills



Initial reaction simulation training

Practical drills



Peripheral damage survey drill

Information Protection and Management

Strengthening information security <Basic stance>

AISIN Group regards protecting company, client and customer information from threats such as information leaks and cyber-attacks as an important risk management issue and is engaged in efforts to strengthen information security.

<Specific initiatives>

Aisin Group has applied the All Toyota Security Guidelines (ATSG) to all of its consolidated Group companies, as well as implemented countermeasures with regard to both physical and cyber aspects of information security, such as strengthening internal networks and other information systems as a mechanism against cyber-attacks along with establishing more stringent rules on-site, entry/exit management and on-site photography. It also conducts continuous education and enlightenment activities to increase employee awareness



AISIN Group joint study session on confidential information management

with regard to these issues. In addition, the Group seeks to improve its information security initiatives by carrying out regular inspections.

Managing personal information

To comply 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, AISIN Group has established rules and systems to ensure the appropriate handling and management of personal information.

In fiscal 2018 as the toughening of various legal frameworks for the protection of personal data continues to progress globally, 22 locations at 11 of our Group companies worked to develop rules on the processing of personal data and transferal of personal data to locations outside of the European Union (EU) region in readiness for the EU’s General Data Protection Regulation (GDPR), which was enforced in May 2018.

Intellectual Property Activities

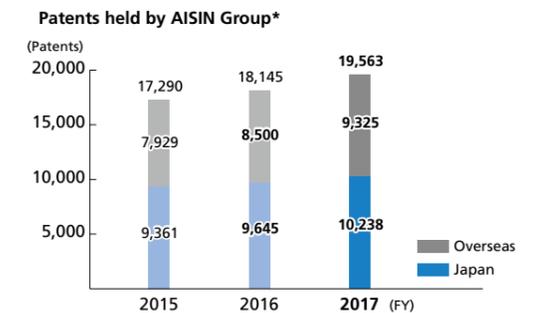
Promoting utilization of patent information and strengthening Group collaboration

To contribute to increasing the competitiveness of AISIN Group, we engage intellectual property teams early on 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 fiscal 2018, with the aim of increasing group-wide collaboration in the field of intellectual property, we sought to consolidate all work duties relating to trademark research, applications, acquisition and renewal of rights handled by the 14 main Group companies, contributing to the streamlining and increased reliability of trademark management duties as a united group. We also completed the development of regulations and infrastructure for the handling of intellectual property for the purpose of enhancing intellectual property capabilities at overseas development locations.

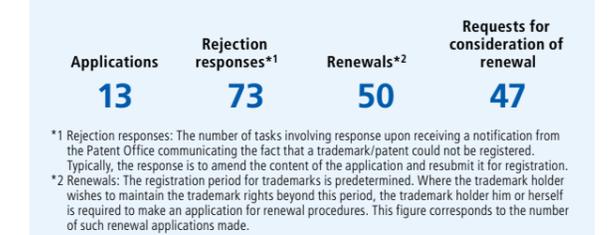
In particular, for more than 40 years we have posted local personnel overseas in the North American and European regions, and are working to further advance

the facilitation of our operations and firmly establish our global intellectual property network.



*14 main Group companies
*The figures after fiscal 2018 include patents held by Art Metal Mfg.

Number of work tasks handling trademarks for fiscal 2018



*1 Rejection responses: The number of tasks involving response upon receiving a notification from the Patent Office communicating the fact that a trademark/patent could not be registered. Typically, the response is to amend the content of the application and resubmit it for registration.
*2 Renewals: The registration period for trademarks is predetermined. Where the trademark holder wishes to maintain the trademark rights beyond this period, the trademark holder him or herself is required to make an application for renewal procedures. This figure corresponds to the number of such renewal applications made.

Relationship with Stakeholders

Placing an emphasis on dialogue with stakeholders

In response to the expectations of stakeholders, AISIN Group places an emphasis on dialogue with our stakeholders, including customers, shareholders and investors, suppliers, employees and local communities.

Main points of contact for dialogue with stakeholders (Aisin Seiki)

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

Shareholders and Investors
In addition to holding presentations on business performance and the announcement of financial results, we respond to individual interviews. After the ordinary shareholders’ meeting, we hold a tour of our exhibition pavilion, com-center and factories.

Suppliers
In order to promote collaboration with suppliers throughout the Group, we hold presentations on our Global Procurement Policy, technology exhibitions and other gatherings.

Employees
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.

Number of participants in the ordinary shareholders’ meeting (Persons)

	93th	94th	95th
Shareholders’ meeting	548	513	557
Tour	181 (Com-center)	196 (Com-center)	257 (Com-center and factories)

Local communities
As active members of our local communities, we engage in social contribution activities, including a number of activities in partnership with our communities, such as traffic safety, fire prevention and crime prevention initiatives. We also hold local community gatherings to hear and respond to the voices of members of our local communities.

Environment

Through our business activities designed to ensure coexistence with society and nature, we are contributing to the management of climate change, protection of the ecosystem and resources of the land and sea, and 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 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

Through collaborative efforts among Group members, AISIN Group seeks to achieve further evolution in its four key areas, with the aim of achieving zero CO₂ emissions over the entire life cycle of its products—from production and use to waste disposal—by 2050.



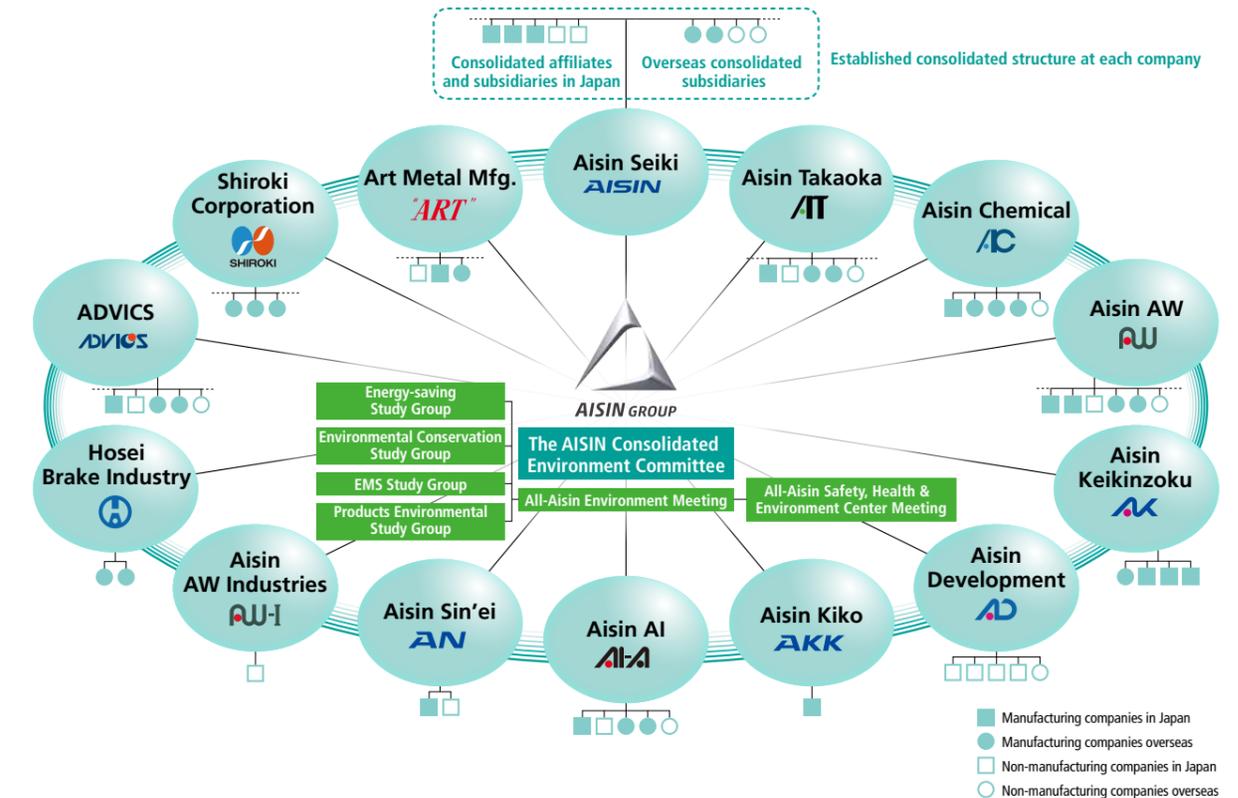
Environmental axes	Priority policy items
Establishment of a low-carbon society	Evolution aimed at achieving zero CO₂ emissions over the entire life cycle of products <ul style="list-style-type: none"> •Promotion and expansion of development of new functional components that can contribute to significant 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)

Strengthening top-level management

Originally, AISIN Group's highest level organizational structure for determining environmental policy was the company-wide Environmental Committee, composed of environmental officers from the 14 main Group companies. In order to expedite the Group's environmental activities, this organization has now been revised and

reformed as the All-Aisin Environment Meeting, and a new Consolidated Environment Committee has been established as the highest level organizational structure for deciding environmental policy, in which the presidents (or CEOs) of each of the 14 main Group companies assemble.

Consolidated structure of the 14 main AISIN Group companies



Study groups take a leadership role in AISIN Group's environmental activities

Study groups form an essential part of implementing AISIN Group's environmental activities globally. We currently have Energy-saving, Environmental Conservation,

EMS and Products Environmental study groups—all of which consist largely of members from our 14 main Group companies, with our affiliate companies also participating in these activities.

Secretary General of Each Study Group

Energy-saving	Environmental Conservation	EMS	Products Environmental
The Energy-saving Study Group promotes energy reduction activities by establishing various energy-saving technologies Group-wide.	The Environmental Conservation Study Group aims to expand the scope of its activities globally, and make AISIN a corporate group that pleases its local communities in terms of environmental aspects.	The EMS Study Group aims to make AISIN Group an environmental front-runner, by approaching its three key activities with a mixture of both respect for and protection of the environment, love and severity.	The members of the Products Environmental Study Group work as a team, and engage in activities with the mission of delivering environmentally friendly products that consider the health and safety of customers.
Safety, Health & Environment Department Tomoyuki Tsunekawa	Safety, Health & Environment Department Mutsuhiro Seshita	TQM, PM & ISO Promotion Department Katsuyoshi Ito	Technical Administration Department Yasuhiro Enya

Sixth Environmental Action Plan and Results of Fiscal 2018 Activities

Environmental axes	Evolution	Measures	FY2018 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	<p><Automotive parts related></p> <ul style="list-style-type: none"> Mass produced the FWD 8-speed Automatic Transmission, which contributes to improved fuel economy through world-class power transmission efficiency, reduced weight and compact size Mass produced lightweight instrument panel reinforcement structures manufactured from aluminum (rather than iron and steel) Expanded the range and number of vehicles equipped with grille shutters, which contribute to improved fuel economy through improved heat management and aerodynamic characteristics <p><Lifestyle industry related></p> <ul style="list-style-type: none"> Mass produced the Smart-Multi hybrid air-conditioning system, which reduces CO₂ emissions by combining GHP (gas engine heat pump) and EHP (electric motor heat pump) technologies. 																														
		2 Increased transparency of factors that become environmental load	<ul style="list-style-type: none"> Led the development of a new LCA*1 calculation tool, which has become the JAPIA (Japan Auto Parts Industries Association) standard, through the improvement and modification of in-house tools Completed in-house validation and shifted to Group-wide operational stage 																														
		3 Reduction of CO ₂ emissions from production [Overseas] Establishment of a CO ₂ reduction system similar to the one currently in place for operations in Japan [Japan] Maintenance and continuation of the current high-level CO ₂ reduction system	<ul style="list-style-type: none"> Held personnel liaison meetings in China, Thailand, Europe and North America, and gave guidance for local staff in each region on the introduction of methods for managing reductions in energy usage. Each location started management of reductions in energy usage. Launched a Production Technology Sub-Committee*2 workgroup on CO₂, with a view to the establishing innovative technologies for the medium to long-term reduction of CO₂ emissions <table border="1"> <thead> <tr> <th>Reduction coverage</th> <th>Scope of business operations covered by reduction efforts</th> <th>Item</th> <th>Base year</th> <th>Goal</th> <th>Target</th> <th>Result</th> <th>Evaluation</th> </tr> </thead> <tbody> <tr> <td>CO₂ emissions from production</td> <td>Global operations (Consolidated CO₂ emissions from in Japan and overseas production)</td> <td>CO₂ emissions per sales unit</td> <td>FY2010</td> <td>20% reduction</td> <td>14.6% reduction</td> <td>22.8% reduction</td> <td>○</td> </tr> </tbody> </table>	Reduction coverage	Scope of business operations covered by reduction efforts	Item	Base year	Goal	Target	Result	Evaluation	CO ₂ emissions from production	Global operations (Consolidated CO ₂ emissions from in Japan and overseas production)	CO ₂ emissions per sales unit	FY2010	20% reduction	14.6% reduction	22.8% reduction	○														
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4 Establishment of an "AISIN clean-energy factory" and its operation	<ul style="list-style-type: none"> Defined scenarios for reducing CO₂ emissions by half at the 13 main AISIN Group manufacturing companies by 2030 Created a new benchmark for factories using renewable energy 																																
5 Enhancement of transportation efficiency in distribution activities [Overseas] Improvement of a CO ₂ reduction system in line with expanding overseas operations [Japan] Continuation of improvement activities through the shared use of specific CO ₂ reduction methods (improvement know-how)	<ul style="list-style-type: none"> Launched AISIN Group joint long-distance transportation/courier service (within the Kanto area) Began deployment of BDF*3 trucks introduced by Aisin Seiki at 12 other AISIN Group companies <table border="1"> <thead> <tr> <th>Reduction coverage</th> <th>Scope of business operations covered by reduction efforts</th> <th>Item</th> <th>Base year</th> <th>Goal</th> <th>Target</th> <th>Result</th> <th>Evaluation</th> </tr> </thead> <tbody> <tr> <td>CO₂ emissions in distribution</td> <td>Consolidated subsidiaries in Japan</td> <td>CO₂ emissions per sales unit</td> <td>FY2010</td> <td>11% reduction</td> <td>8% reduction</td> <td>16.0% reduction</td> <td>○</td> </tr> <tr> <td></td> <td>Overseas companies</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="8">Firm understanding results</td> </tr> </tbody> </table>	Reduction coverage	Scope of business operations covered by reduction efforts	Item	Base year	Goal	Target	Result	Evaluation	CO ₂ emissions in distribution	Consolidated subsidiaries in Japan	CO ₂ emissions per sales unit	FY2010	11% reduction	8% reduction	16.0% reduction	○		Overseas companies							Firm understanding results							
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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	<ul style="list-style-type: none"> Completed activities to ascertain actual state of metallic resources that should be managed by AISIN Group, and confirmed that there is no problem presently 																														
		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	<ul style="list-style-type: none"> Shared 15 representative examples of waste reduction and recovering valuable matter from waste within AISIN Group Held meetings to exchange opinions with specialized manufacturers and expanded waste processing routes to promote effective use of waste <table border="1"> <thead> <tr> <th>Reduction coverage</th> <th>Scope of business operations covered by reduction efforts</th> <th>Item</th> <th>Base year</th> <th>Goal</th> <th>Target</th> <th>Result</th> <th>Evaluation</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Waste materials</td> <td>Consolidated subsidiaries in Japan</td> <td>Discharge per sales unit</td> <td>FY2010</td> <td>28% reduction</td> <td>20.4% reduction</td> <td>27.9% reduction</td> <td>○</td> </tr> <tr> <td>Overseas companies</td> <td>Basic unit 1% decrease/year</td> <td>FY2016</td> <td>5% reduction</td> <td>2% reduction</td> <td>—</td> <td>—</td> </tr> </tbody> </table>	Reduction coverage	Scope of business operations covered by reduction efforts	Item	Base year	Goal	Target	Result	Evaluation	Waste materials	Consolidated subsidiaries in Japan	Discharge per sales unit	FY2010	28% reduction	20.4% reduction	27.9% reduction	○	Overseas companies	Basic unit 1% decrease/year	FY2016	5% reduction	2% reduction	—	—							
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8 Effective use of water resources and full-scale efforts to promote recycling of water resources	<ul style="list-style-type: none"> Formulated a drought risk assessment standard and identified locations with high drought risk. Also formulated action targets for reducing the drought risk at high-risk locations. <table border="1"> <thead> <tr> <th>Reduction coverage</th> <th>Scope of business operations covered by reduction efforts</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td>Water</td> <td>Areas where there are many constraints</td> <td>Grasping information on region-by-region safety of water resources by FY2018 and setting numerical targets for FY2021 concerning such safety</td> </tr> </tbody> </table>	Reduction coverage	Scope of business operations covered by reduction efforts	Item	Water	Areas where there are many constraints	Grasping information on region-by-region safety of water resources by FY2018 and setting numerical targets for FY2021 concerning such safety																										
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*1 LCA (Life Cycle Assessment): Assessing reductions in CO₂ emissions across product lifecycles as part of the product development process
 *2 Production Technology Sub-Committee: An organizational body that engages in activities and shares resources (including knowledge, technologies and equipment) with the aim of improving the AISIN Group's production technology capabilities and the competitiveness of its manufacturing processes
 *3 BDF (Biodiesel Fuel): A type of fuel made by collecting and refining food oils

Environmental axes	Evolution	Measures	FY2018 results																															
Establishment of a society in which people coexist with nature	Harmony with nature	9 Advanced action ahead of the official enforcement of regulations of harmful chemical substances contained in products	<ul style="list-style-type: none"> Collected 445 items of information on laws and regulations (through collaborative efforts across AISIN Group), identified medium to long-term trends in fuel economy regulations and formulated a response plan Made the official decision for AISIN Group to introduce Global AisinMACS*4 management system for responding to national and regional restrictions on chemical substances contained in products in a timely manner; and commenced phased introduction of the system at regional companies with R&D functionality 																															
		10 All-out efforts to prevent abnormal environmental situations	<ul style="list-style-type: none"> Conducted exercises utilizing Environmental KYT*5 (danger prediction) manuals and case studies at personnel liaison meetings held in various overseas regions, and trial implementations of these measures at representative workplace locations Formulated the rules for environmental risk management when sharing common premises as an AGES*6 global standard 																															
		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 operations in Japan [Japan] Maintenance and continuation of the current high-level reduction system	<ul style="list-style-type: none"> Made preparations for gathering data to compile a list of chemical substances subject to overseas laws and regulations with a view to global expansion <table border="1"> <thead> <tr> <th>Reduction coverage</th> <th>Scope of business operations covered by reduction efforts</th> <th>Item</th> <th>Base year</th> <th>Goal</th> <th>Target</th> <th>Result</th> <th>Evaluation</th> </tr> </thead> <tbody> <tr> <td rowspan="2">VOC</td> <td>Consolidated subsidiaries in Japan</td> <td>Discharge per sales unit</td> <td>FY2010</td> <td>19% reduction</td> <td>13.8% reduction</td> <td>44.0% reduction</td> <td>○</td> </tr> <tr> <td>Overseas companies</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="8">Firm understanding of results</td> </tr> </tbody> </table>	Reduction coverage	Scope of business operations covered by reduction efforts	Item	Base year	Goal	Target	Result	Evaluation	VOC	Consolidated subsidiaries in Japan	Discharge per sales unit	FY2010	19% reduction	13.8% reduction	44.0% reduction	○	Overseas companies							Firm understanding of results							
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12 Implementation of regional programs aimed at preserving biodiversity	<ul style="list-style-type: none"> Conducted nature conservation activities in five regions of Japan that are home to AISIN Group locations (Aichi, Hokuriku, Hokkaido, Tohoku and Kyushu) 																																	
Fundamental activities that cover all themes		13 Reinforcement of environmental compliance through the establishment of a system to centralize the collection of relevant information	<ul style="list-style-type: none"> Distributed information at personnel liaison meetings held in various overseas regions with regard to laws and regulations that will have an impact and/or require a response Encouraged shared group-wide handling of PCB waste to complete disposal of all highly concentrated PCB waste under the ownership of AISIN Group in Japan by the end of fiscal 2021; and completed disposal of waste for fiscal 2018 as scheduled 																															
		14 Establishment and operation of a global consolidated EMS evaluation system	<ul style="list-style-type: none"> Launched environmental committees in Indonesia and Brazil, and drove environmental activities in a total of seven regions (including North America, China, Europe, Thailand and India, where activities were already underway) through regional environmental committees Created new assessment standard and check sheets to comply with the 2015 edition of ISO 14001 and made preparations for operation of the new standard as of fiscal 2019 																															
		15 Reinforcement of environmental management regarding supply chains and promotion of environmental activities in collaboration with suppliers	<ul style="list-style-type: none"> Established the AISIN Group Suppliers' Environmental Inspection Liaison Meeting to support suppliers based on the AISIN Group Green Procurement Guidelines; conducted environmental inspections and follow-up on post-inspection activities of suppliers through group-wide cooperation 																															
		16 Reinforcement of environmental education to develop globally competitive human resources	<ul style="list-style-type: none"> Established an ideal definition for globally competitive environmental human resources required by AISIN Group, based on a shared concept of a Group vision and organizational structure for 2020, and ascertained the Group's current situation (in terms of skill level and environmental education status) 																															
		17 Promotion of social contribution activities in the field of the environment in cooperation with local communities	<ul style="list-style-type: none"> Continued to hold regular gatherings with local community resident representatives and fisherman's cooperatives for each company and region Aisin Keikinzoku developed Ariso Fureai Park, which includes a biotope for protecting indigenous species of plants and animals, and is utilizing it as a place for communicating with local community residents Aisin AW reported the results of its water quality monitoring activities to local fishing cooperatives and engaged in other activities to deepen trusting relationships with local communities Other Group companies also continued to devise and engage in environmental activities with local communities 																															
18 Enhancement of communication with various stakeholders in the environmental field	<ul style="list-style-type: none"> Promoted greater understanding of environmental activities by holding events such as the AISIN Group Consolidated Environmental Symposium for AISIN Group employees and suppliers and AISIN Group Eco Spot Tour for Group employees and their families Promoted the Group's activities to reduce CO₂ emissions via internal newsletters at each Group company as a means of raising employees' environmental awareness Promoted the Group's environmental activities via the AISIN Group Report, website and other such media 																																	
19 Worldwide management of office environment	<ul style="list-style-type: none"> Verified that appropriate environmental activities matching various functions such as awareness-raising activities and beautification activities are being conducted in each workplace every year 																																	

*4 Global AisinMACS: A system that is equipped with a feature to judge compliance with regulations and customer requirements. It is available for use by AISIN Group companies in Japan and overseas.
 *5 Environmental KYT (Kiken Yochi Training): A form of danger prediction training designed to enable employees to predict risks that could lead to environmental accidents and abnormalities
 *6 AGES: AISIN Global Environmental Standard

Establishment of a Low-Carbon Society

Aiming to reduce life cycle CO₂ emissions to zero

Our efforts to reduce life cycle* CO₂ emissions to zero by 2050 revolve primarily around the Energy-saving Study Group and the Production Technology Sub-Committee. We are working to reduce emissions by developing medium-to-long-term emission reduction scenarios, and production technologies that emit less CO₂.

Working in collaboration with JAPIA (Japan Auto Parts Industries Association), we have created an LCA calculation tool for assessing life cycle CO₂ reductions during product development and begun to conduct assessments of our major products.

We have also begun to examine our existing activities, identify production technology innovation topics and formulate reduction scenarios with the introduction of renewable energy, with a view to reducing overall CO₂ emissions by 2030. We are also advancing the installation and introduction of photovoltaic (solar) power generation and other renewable energy technologies at Group companies, as one important source of power for the future.

*Every process including extracting resources, processing raw materials, manufacturing, consuming and disposing of products

Effective utilization of solar energy [Art Metal Mfg.]

Nagano-based Art Metal Mfg. and four other Japan-based Art Metal Mfg. group companies utilize the geographical characteristics of their local areas—long daylight hours and low rainfall—to engage in photovoltaic solar power generation. Making use of sloped surfaces on factory roofs and parking areas, the companies generate a combined total power output of 1.72 MW. In fiscal 2018, the group generated 2,100 kWh of power, achieving an effective reduction of approximately 870 tons in CO₂ emissions.

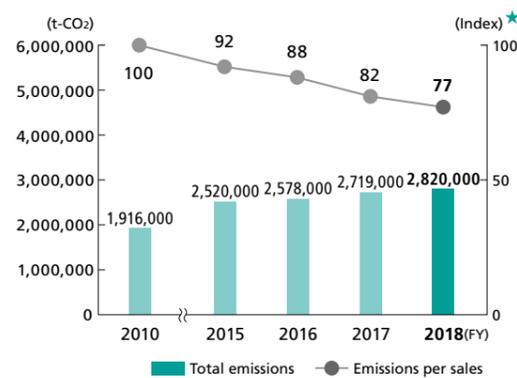


Solar cells on the Art Metal Mfg. building



Akira Nishibayashi, who is responsible for solar cell control in the Processing and Production Technology Department

Total CO₂ emissions per sales (Global)



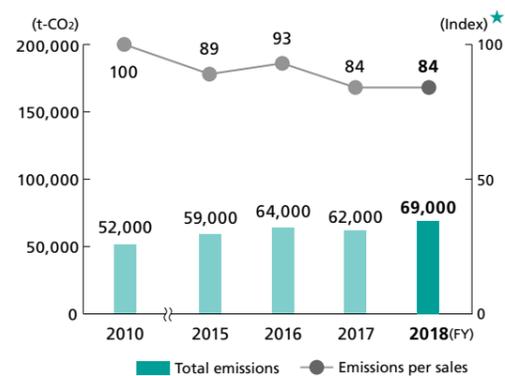
★ The index used for emissions per sales is calculated on the assumption that the base year for targets set out in the Sixth Environmental Action Plan is equal to 100.

*Past values have been revised due to a change in the range of tabulated data.

Emissions of non-CO₂ greenhouse gases (Global)

	FY2015	FY2016	FY2017	FY2018
SF ₆	4,302	11,400	5,700	4,560

Total CO₂ emissions due to transport per sales (Consolidated companies in Japan)



★ 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.

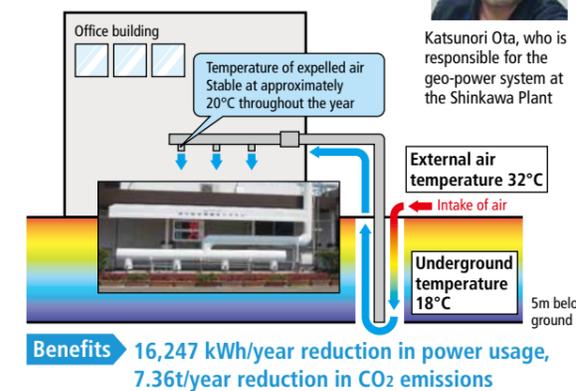
Reducing office power usage using a geo-power system [Aisin Seiki]

At Shinkawa Plant, Aisin Seiki has introduced a geo-power system that makes of geothermal heat—which remains stable throughout the year—to reduce other energy usage.

The system uses heat exchangers to cool (or heat) outside air, which is sucked down to a depth of 5m underground, and then uses fans to deliver the air to rooms in its office buildings as a form of auxiliary air conditioning. By supplementing conventional air con-

ditioning in this way, the system achieves reductions in main power usage. Passing the air through the end of underground pipes also enables the system to deliver a clean, comfortable airflow, thereby contributing to improving the workplace environment.

<Office building power usage> Environmental improvements due to introduction of the geo-power system



Katsunori Ota, who is responsible for the geo-power system at the Shinkawa Plant

Clean energy plant that has introduced renewable energy and energy-saving technologies [Aisin Seiki]

In August 2017, Aisin Seiki constructed an additional south building within the premises of its Nishio Die-Casting Plant to increase production capacity. The new building was designed to improve product quality, increase productivity, and ensure safety and a better working environment for its employees, with the aim of “achieving a world-leading die-casting plant through technological and human innovation.”

In terms of global environmental aspects, despite handling die-casting processes that typically consume



Members of the Plant & Environment Engineering Department responsible for building facilities



Members of the Light Metal Engineering Department responsible for production equipment

CO₂-reducing items

Building facilities	Production equipment
<ul style="list-style-type: none"> •LED lighting and flashing light controls throughout all buildings •Use of natural daylighting •Photovoltaic power generation •Collection and use of waste heat •15 other improvements 	<ul style="list-style-type: none"> •Introduction of highly insulating furnace materials •Automated hot water distribution gutter heating method •Hydraulic control reduces standby power usage •Elimination of conveyance between processes •11 other improvements

large amounts of energy and emit large volumes of CO₂, the new building significantly reduces energy consumption in terms of both building facilities and production equipment. As a result of these improvements, Aisin Seiki expects to reduce CO₂ emissions for the other die-casting plants by over 50% in comparison with fiscal 2015.

Reducing CO₂ emissions through the introduction of BDF

AISIN Group is working to reduce CO₂ emissions by utilizing Biodiesel Fuel (BDF)—made by collecting and refining food oils used in employee cafeterias—in its transport vehicles.

Since 2008, AISIN Group has utilized commuter buses that transport employees between the nearest station (or employee dormitory) and the workplace during commuting hours. We currently operate two BDF buses, achieving an annual CO₂ reduction of around 25 tons per year.

Additionally, in fiscal 2018, we also commenced trial operation of BDF for trucks used to transport parts and other products manufactured by AISIN Group. With the full-scale introduction of these BDF trucks in fiscal 2019, we expect to reduce annual CO₂ emissions by approximately 105 tons per year (with two trucks).

In addition to reducing CO₂ emissions, BDF transport vehicles make effective use of waste and are also friendly to the atmosphere. Moving forward, we will continue to further expand their use within the Group.



A truck owned by Hekinan Unso Co., Ltd. being refueled with BDF at a gas station operated by Konan Kogyo Co., Ltd.

Developing a low-cost, high-efficiency new type of solar cell [Aisin Cosmos R&D]

Aisin Cosmos R&D conducts research and development in various technological areas, including biological, chemical and human technologies. The company is currently engaged in R&D efforts to develop Perovskite solar cells, which have already achieved power generation efficiency in excess of 15%, reaching a level that is comparable with silicon solar cells.

Moving forward, Aisin Cosmos R&D will continue utilizing organic pigment synthesis technologies accumulated thus far to develop organic semiconductor materials for use in solar cells that offer durability at low cost, while clearing various issues such as cost, durability and material safety.



Personnel responsible for solar cell development



A solar cell

Developing software to achieve reductions in CO₂ emissions [Aisin ComCruise]

Aisin ComCruise, which develops and evaluates control software for automobile onboard hardware and other devices, develops software for various products. In particular, the software is greatly contributing to reducing CO₂ emissions at the product usage stage, in which a lot of CO₂ is emitted. The company will continue to advance development of the software.



Personnel responsible for control software development

Product name	Details of energy savings
Hybrid transmission	6.8% reduction in CO ₂ emissions in comparison with previous models
High-capacity RWD 10-speed Automatic Transmission	6% reduction in CO ₂ emissions in comparison with 8-speed transmission
Reducing CO ₂ emissions with high-efficiency ENE-FAR	Power plant: 40% energy usage efficiency → ENE-FARM: 87% energy usage efficiency or higher, and approximately 1.5 ton reduction in annual CO ₂ emissions

Eco Product certification

To facilitate the development of environmentally friendly products, Aisin Seiki has established a scheme whereby it self-certifies products with superior environmentally friendly characteristics as Eco Products. In fiscal 2018, the COREMO B2 Model household cogeneration system was certified as an Eco Product under the scheme. Looking ahead, we will continue to increase the number of Eco Products and work on development that is more conscious of the global environment.

<Features>

COREMO can reduce CO₂ emissions by approximately 1.0 ton annually, compared with conventional hot-water heaters (gas hot-water supply heaters) for use in cold regions. The B2 model reduces the volume of consumed resources by achieving approximately a 13% weight reduction from the B1 model, becoming a more environmentally friendly product.

<Details of resources conserved>

Reduction in volume of resources consumed due to weight reduction

	B1 model	B2 model
Lifecycle resource consumption (kg)	282.5	229.5
Improved resource conservation efficiency	8.47	10.94
Resource conservation factor [index]	—	1.30



Energy Engineering Department
Masahiko Iida

<Comment from developer >

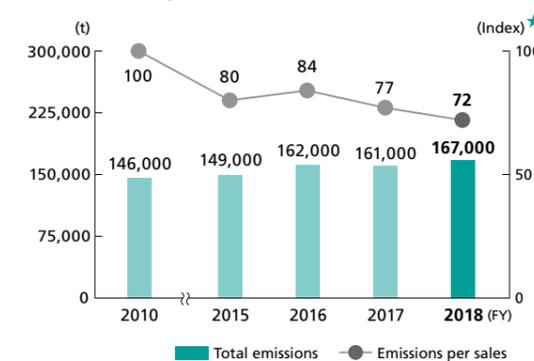
In the B2 model, we have improved the exhaust heat recovery circuit and control system for heating devices, abandoned the use of a cooling water tank for heat accumulation and significantly reduced the volume of coolant used, which presented difficulties in terms of recycling. We also sought to reduce the amount of resources consumed by advancing weight reduction of the system, such as by integrating the chassis components and engine air intake/exhaust components. As a result of these efforts, we have achieved a reduction in resources consumed while at the same time maintaining product performance.

Establishment of a Recycling-Oriented Society

Reducing environmental impact of development, production and logistics to zero

We are working to reduce 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.

Waste emissions per sales (Consolidated companies in Japan)



★ 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.

*Past values have been revised due to a change in the range of tabulated data.

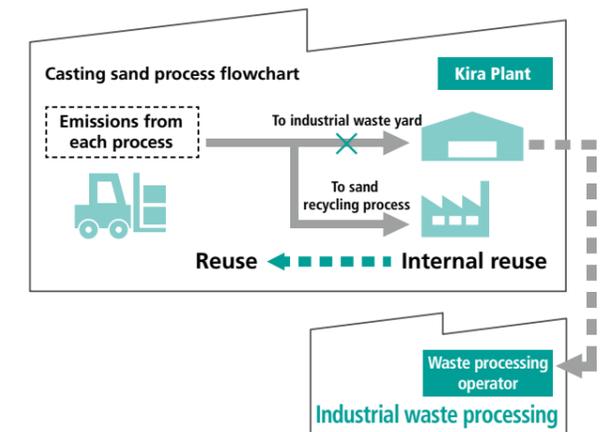
Reducing waste casting sand through recycling [Aisin Takaoka]

Since fiscal 2014, Aisin Takaoka's Kira Plant is achieving major reductions in casting sand waste, a form of industrial waste, by recycling it as core sand for internally manufactured casting cores. As of fiscal 2018, the company has sought to create a setup for supplying recycled sand to a casting core manufacturer on its premises and expand recycling of casting sand further and has contributed to reducing industrial waste output by 4,200 tons per year.



Kira Plant personnel who were awarded a prize for reducing waste sand output

Case study of waste reduction at Kira Plant



Selecting business locations at high risk of drought

Using the water-related risk assessment tool Aqueduct, and by formulating our own original assessment standard reflecting the results of interviews with personnel to determine the actual situation at the various Group companies, we selected 13 high-risk locations from among a total of 158 locations both in Japan and overseas.

To set targets that match actual conditions at high-risk locations, in fiscal 2019 we will conduct on-site checks at the 13 selected locations, and set targets and promote activities to match the situation at those sites.

Actions Toward achieving appropriate disposal of high-concentration PCB devices by the prescribed deadline

To ensure the disposal of PCBs (polychlorinated biphenyls) by the deadline stipulated by law (the end of March 2027), AISIN Group in Japan has formulated a Group Integrated Disposal Plan*, which sets earlier arbitrary deadlines ahead of the date stipulated by law.

After ascertaining the number of devices with high concentrations of PCBs stored and/or currently in use by the Group, as of June 2018, we have now disposed of 70% of high-concentration PCB devices. This was achieved through initiatives such as negotiating to obtain joint disposal allotments and outsourcing consolidated transportation of PCB devices across the Group.

Moving forward, we will continue to drive disposal activities as a united Group, with a view to the total eradication of all PCBs.

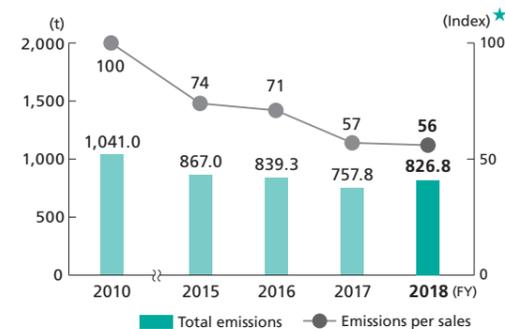
*Disposal of high-concentration PCBs is expected to be completed by the end of fiscal 2021 and low-concentrations PCBs by the end of fiscal 2025.

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 interest of protecting the natural environment.

VOC emissions per sales (Consolidated companies in Japan)



★ 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.

*Past values have been revised due to a change in the range of tabulated data.

Advanced actions ahead of official enforcement of regulations on the management of chemicals in products

AISIN Group actively gathers information on regulations and carries out impact assessments in order to strategically replace chemical substances prior to becoming officially regulated.

The Group has also created its own proprietary

system, Global AisinMACS, for managing chemical substances contained in products. By launching the operation of this system in Japan, it has become able to submit IMDS* declarations faster and more accurately. Since fiscal 2018, the Group has also begun to deploy the system in the United States and other countries. Moving forward, Aisin Group will expand the use of this system to other regions, and continue to ensure thorough legal compliance globally.

*IMDS (International Material Data System): It was developed primarily by the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA). It is a global materials database aimed mainly at the automotive industry and operated by members comprising of major automobile manufacturers from countries around the world, including Japan.

Protecting local indigenous species with Ariso Plant biotope [Aisin Keikinzo]

In fiscal 2017, Aisin Keikinzo began developing the Ariso Fureai Park using idle land at its Ariso Plant, with the purpose of conserving biodiversity. The park's biotope has been stocked with Japanese *kitanomedaka* (or "rice fish"), an indigenous species of the region that is now endangered, and Japanese ash trees have been planted. In fiscal 2018, it was confirmed that these



AISIN Group's biodiversity activities

AISIN Group engages in community-oriented biodiversity preservation activities at five locations around Japan, mainly in regions where we have bases. Looking ahead, we will continue to contribute proactively to local communities through environmental conservation activities, work in close contact with members of those communities.

- Aso region, Kumamoto Prefecture**: Clearing underbrush to protect rare wildlife species designated by the prefecture
- Naka-ikemi Wetland, Fukui Prefecture**: Planting and harvesting rice by hand to preserve secondary forestland
- Hanamaki, Iwate Prefecture**: Protecting the rare and endangered fish species *Acheilognathus typus* by removing bottom weeds and eradicating non-indigenous species
- Lake Utonai, Hokkaido**: Eradicating the invasive plant species *solidago gigantea* to protect the lakeside ecosystem
- Mouth of the Yahagi River, Aichi Prefecture**: Activity with local children to carry out biological surveys and clean up the mouth of the Yahagi River

species were reproducing and had firmly established themselves within the park. Efforts will continue, with a primary focus on protecting the area's local indigenous

species, with a view to the completion of Ariso Fureai Park in fiscal 2021.

Fundamental Activities: Environmental Management

Continuously raising the level of our Environmental management system (EMS)

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.

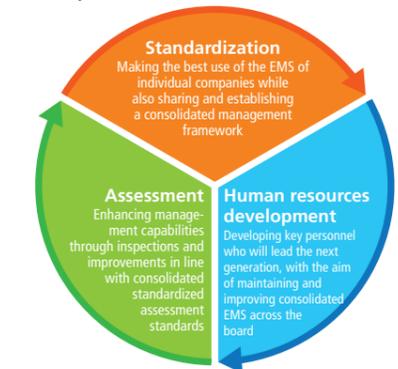
Following revisions to the international environmental management standard ISO 14001 in 2015, the entire AISIN Group is now expected to obtain ISO 14001 certification during fiscal 2019. In aiming to become an environmental front-runner, AISIN Group aims to achieve a strict level of management above that stipulated in the standard.

To that end, the EMS Study Group has revised the AISIN Consolidated EMS Manual and AISIN Group Green Procurement Guidelines (1) standardization), which are both being utilized as effective tools used to standardize inspection and improvement activities across all compa-

nies in Japan and overseas (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).

Three pillars of EMS activities



Improving environmental activity frameworks worldwide

AISIN Group has divided the world into seven regions, within which it holds regular liaison meetings to share activities on environmental issues for personnel who promote environmental initiatives. In this way, we are driving these activities both in Japan and overseas. Moving forward, the Group will continue to expand the scope and scale of its activities in regions around the world.

- North America**: ① 28 companies (8 Group companies) ② Environmental KYT activities taking place
- Europe**: ① 6 companies (3 Group companies) ② Environmental KYT activities taking place
- China/Taiwan**: ① 35 companies (8 Group companies) ② On-site checks by Japanese waste disposal operators
- India**: ① 8 companies (6 Group companies) ② Activities halted due to labor issues
- Thailand**: ① 21 companies (9 Group companies) ② On-site activities to check thorough and complete implementation of responses to environmental abnormalities
- South America (Brazil)**: ① 3 companies (3 Group companies) ② Environmental KYT activities taking place
- Indonesia**: ① 8 companies (7 Group companies) ② Explanation of the Sixth Environmental Action Plan at a liaison meeting

AISIN Group Green Procurement Guidelines

AISIN Group is engaged in various activities to secure the understanding and cooperation of suppliers with regard to the AISIN Group Green Procurement Guidelines.

In fiscal 2018, it launched the AISIN Group (13 companies) Suppliers' Environmental Inspection Liaison Meeting. Through this meeting, the Group aims to share information regarding the status of suppliers ascertained at the present time, and improve upon problems and issues faced by those suppliers. AISIN Group also provides continuous support to help ensure supplier compliance with laws, regulations and bylaws, etc., and properly manage substances that have an environmental impact.



AISIN Group Green Procurement Guidelines

Conducting environmental training for Chinese and Taiwanese staff in Japan [Aisin Seiki]

In August 2017, Aisin Seiki conducted a three-day educational program on safety and the environment for 28 local (i.e., overseas) staff from 13 companies responsible for safety and environmental issues in China and Taiwan. The program was conducted at the Aisin Seiki head office, as well as at its mother plant and other relevant facilities.

In terms of waste management, staff learned the roles that environmental management departments should fulfill, as well as methods of waste management and reduction. With the cooperation of waste disposal operator Sanei, they then sought to improve their knowledge by participating in *genchi genbutsu gennin* (go and see for yourself) of actual disposal sites.

In the future as well, we will continue to hold environmental training sessions in Japan to match current needs, with the aim of helping overseas staff from regions around the world to improve the level of their environmental knowledge and skills.



Chinese and Taiwanese staff learn about waste management at a Sanei site

Holding Environmental Experience Study Tours at construction sites [Aisin Development]

Aisin Development held its first AD Group Environmental Experience Study Tour, with the aim of enabling employees involved in construction work and their families learn about environmental initiatives relating to AD Group business operations.

Tour participants visited the Shimoyama Test Course of the constructor, AD Green, to observe how felled trees and crushed stone generated by the construction site is recycled, and to learn about countermeasures for preventing discharge of muddy/contaminated water.

Participants also visited Shimoyama Bark Park, an environmental experience facility operated by an AD Group partner company, to observe local living creatures in the woods and streams of the park's biotope.

Moving forward as well, the AD Group will continue to conduct activities to promote greater environmental awareness along with providing a place for families to interact with one another and with nature.

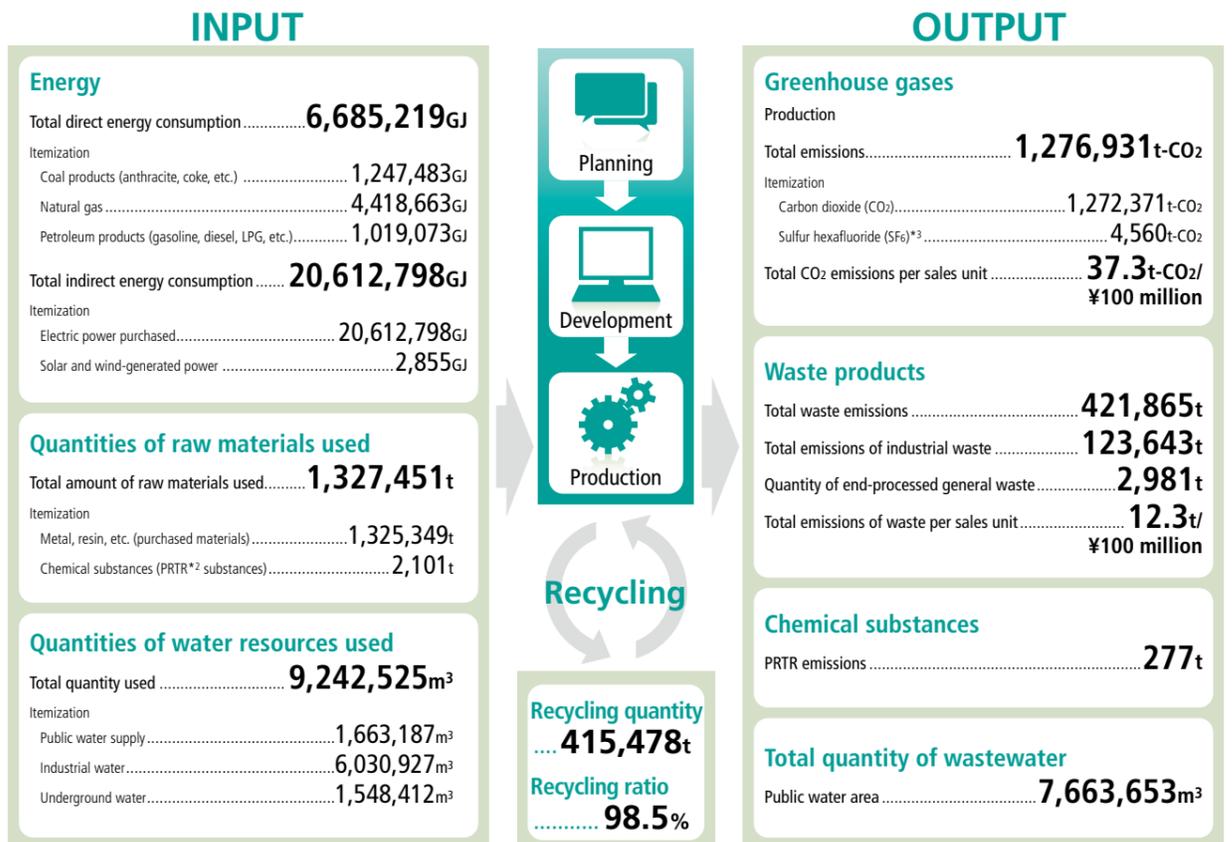


Children listen to an explanation about environmental initiatives at work sites.



Parents and children observe animals in the Shimoyama Bark Park biotope

Resources Used and Emissions Released (FY2018) 33 main companies in Japan*1



*1 Japan-based Group companies (33): 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, Art Metal Mfg., 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 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.
 *3 SF₆ (Sulfur hexafluoride): A greenhouse gas whose global warming effect is considered to be 23,900 times higher than that of CO₂

Environmental Accounting

		13 main manufacturing companies in Japan*4			Group companies in Japan*5		
		FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Environmental conservation costs	Business operation costs	8.51	10.64	8.90	9.02	11.26	9.66
	Management costs	1.00	1.05	1.03	1.11	1.17	1.16
	Upstream/downstream costs	4.68	4.93	7.03	4.72	4.97	7.08
	Research and development costs	18.56	17.44	18.05	18.68	17.58	18.26
	Social contribution activity costs	0.14	0.15	0.21	0.14	0.15	0.21
	Environmental remediation costs	0.12	0.08	0.05	0.13	0.09	0.05
	Total	33.01	34.29	35.27	33.80	35.22	36.42
Effects of environmental conservation measures	Energy saving	1.02	1.11	1.29	1.23	1.17	1.66
	Resource saving	0.14	0.25	0.21	0.14	0.25	0.22
	Effects of reducing waste materials	0.03	0.03	0.05	0.04	0.04	0.10
	Sale of valued property	4.78	5.33	7.58	4.96	5.37	7.72
	Total	5.97	6.72	9.13	6.37	6.83	9.70

Note: These figures are based on *Environmental Accounting Guidelines 2005*, issued by Japan's Ministry of the Environment.
 *4 Of the 14 main Group companies in Japan, refers to the 13 manufacturing companies excluding Aisin Development, a non-manufacturing company.
 *5 There were 31 companies in fiscal 2016, 32 companies in fiscal 2017 and 33 companies in fiscal 2018.

Society

AISIN respects the workstyle of each employee's diverse values and seeks to establish an environment where they can work actively. We will raise our corporate value through mutual growth and contribute to the creation of a sustainable society.

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.

Thorough the implementation of education on human rights protection for all employees

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 training for newly appointed management personnel, training for new hires and training upon job promotions.

Initiatives in fiscal 2018

- 1,315 employees participated in joint CSR Management Training for management personnel from the six core Group companies
- Invited a guest lecturer from the Aichi Labor Bureau and held a training seminar on fair recruitment by Group companies

Labor Practices

Basic stance with regard to stable employment

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

Stable Employment

In terms of ensuring stable employment, AISIN Group has standardized its basic stance and systems concerning personnel and labor affairs. By developing measures based on this standard and on the laws and regulations of respective countries and regions, the Group is striving to reduce related risks and build sound labor-management relations.

Human Resources Development

Supporting the growth of each person by respecting individuality

At AISIN Group, we are committed to developing global human resources who are capable of viewing matters from a broad perspective and possess the diverse range of values 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



Joint training for personnel from the six core Group companies

make the most of their abilities based on the AISIN Way.

Initiatives in fiscal 2018

- Conducted two career development courses (Work-Life Balance Support Course and Career Support Course)
- Conducted joint training courses for personnel from the six core Group companies (adopted a curriculum to deepen employees' understanding of the history of AISIN Group)

Development of global human resources who increase our competitiveness

AISIN Group is continuing to accelerate its development of human resources who are capable of engaging in global business.

We conduct top management training for personnel at the 14 main Group companies in management or executive positions at AISIN locations around the world. Aisin Seiki runs an overseas employee exchange system designed to develop young local employees at AISIN locations around the world; 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); and promotes initiatives such as Global Management Training, in which employees learn about different cultural environments before embarking on overseas postings.

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 managers to understand the AISIN Group's values and behavioral principles and be able to make appropriate decisions.

Initiatives in fiscal 2018

- Held a Senior Management Course attended by eight senior/top-level management personnel and an Upper-Level Management Course for 23 upper-management personnel

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 foster global capabilities through OJT and by living in a different culture.

Initiatives in fiscal 2018

- Dispatched 12 employees to countries, including the United States, China and India

TOPICS

The overseas training program for young employees enabled me to approach and solve problems on location overseas head-on.

Eriko Kato, Powertrain Planning Department, Aisin Seiki

I was posted in Indonesia for one year and was responsible for cost prices. Although I had been involved in cost-price planning activities together with local staff members prior to my posting in Indonesia, we weren't able to find an outlook to achieve our profit



margin targets as I had imagined. I therefore made the decision to make use of the program in order to resolve our fundamental issues and worked together with local members to make various improvements. Things that we take for granted at AISIN in Japan are not necessarily so at subsidiaries in different countries, and learning first-hand about actual conditions in Indonesia and the way that people think there was a major benefit for me. I really feel that through training the local staff members, I acquired the ability to lead people better.

Overseas employee exchange system

We accept local personnel from other countries for 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.

Initiatives in fiscal 2018

- Accepted nine local personnel from Taiwan, China, India and Thailand

Global Management Training

Global Management Training enables management personnel scheduled to be posted overseas to learn how to think, act and express themselves in different cultural environments. Participants also work to enable them to exercise effective leadership with greater flexibility and creativity upon taking their overseas posts.

Initiatives in fiscal 2018

- Accepted 159 personnel for the U.S. / Europe session and 119 personnel for the China session

Nurturing technical personnel who can contribute to development in each country

We continue to strengthen educational capabilities for local technical personnel throughout 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 AISIN Group in Japan and trainees dispatched from overseas. To date, a total of 5,600 members from Group companies in Japan have graduated from these academies. As for overseas trainees, AISIN Group has accepted trainees from 20 locations in 10 countries, and these graduates are now playing key roles at overseas subsidiaries in supervisory or technical capacities.

Aisin Technical Academy



Providing practical education to cultivate leaders of manufacturing operations

Initiatives in fiscal 2018

- Accepted 41 trainees dispatched from China, Taiwan, Thailand, Indonesia, Turkey, Mexico, the United States and Canada

Nurturing production staff by passing on knowledge and skills

To ensure that knowledge and skills specific to each workplace are passed on reliably, we are working to visualize and systemize knowledge and skills that are regarded as “implicit” knowledge, and the experience and judgment of individual employees.

We have also 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, AISIN Group has been promoting various activities to drive the development of a pleasant and vibrant workplace culture. In fiscal 2018, we conducted a common awareness survey of all employees at the six core Group companies. This enabled us to clarify the strengths and issues of each company, and we are now making effective use of these insights as we work to develop personnel and workplace environments at each company. 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. We also hold the AISIN Relay Race every year, with the aim of promoting Group-wide collaboration, and fostering a sense of unity among Group members.

TOPICS

Group event: AISIN Relay Race

A total of 100 Group companies, both in Japan and overseas, participated in the annual AISIN Relay Race. A total of 683 teams and approximately 16,700 people gathered to participate in the event either as runners or supporters, demonstrating the sense of scale that can be achieved through unity and collaboration within AISIN Group.



Harnessing a Diverse Range of Human Resources

Promotion of diversity

AISIN Group regards the proactive promotion of diversity management as an important strategy in achieving sustainable growth. We have therefore been implementing various initiatives to enable employees to make maximum effective use of their abilities regardless of their life stage.

Aisin Seiki also holds the Iku Boss Academy for managers to engage each workplace in the task of pro-

moting diversity. Through initiatives such as this, we are driving the development of management-level employees who can achieve a healthy balance between ease of working and higher productivity. In fiscal 2018, we have reached a stage where managerial personnel who act as role models for other employees are now present in every department, as well as deepened the level of understanding and instillation of the main premise. Moving forward, we plan to expand this initiative to

encompass technical and engineering roles.

■ Examples of initiatives to systematically support active roles for female employees (Aisin Seiki)

- Established a mentoring scheme that enables female employees to consult with senior employees regarding their concerns about issues such as career building or finding a work-life balance
- Issued the “Work-life Balance Support Guide for Mothers, Fathers and Iku Bosses,” a handbook aimed at management personnel and female employees offering support for finding a healthy work-life balance, for the purpose of promoting a greater understanding of our work-life balance support system.

Promoting more active roles for female employees

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

Initiatives in fiscal 2018

- Career development training program to assist female employees in building their careers
- Career Development Program for Women (CDP) designed to foster individualized development of female employees aspiring to take managerial positions
- Invited external instructors and held lectures with the aim of relieving anxiety with regard to taking managerial positions

Change in numbers of female employees in managerial positions		Percentage of CDP registrants expressing positive responses regarding motivation for promotion to major career path positions	
FY2015	FY2018	FY2016	FY2018
22	51	29%	59%

Work-life balance support

At 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 work and home. In recent years at Aisin Seiki, the Company launched a telecommuting system and short working hour system for family care to further enhance measures to support work-life balance and encourage the use of available systems.

Creating a workplace in which persons with special needs can thrive

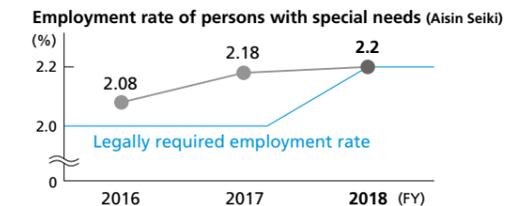
On the basis of an approach rooted in the concepts of “normalization and harmonious coexistence,” AISIN

Group aims to develop a working environment in which persons with special needs can thrive, and increase the number of employment opportunities available to persons with special needs. To enable persons with special needs to consult at any time and work with security and peace of mind, we have assigned a total of 150 working life counselors to work in workplaces throughout the Group. These counselors listen to the voices of employees, and their insights are used to make improvements to our working environments.

AISIN Group companies are also working together to resolve issues concerning the employment of persons with special needs. In November 2017, AISIN Group held its first joint interview session for persons with special needs. A total of 23 Group companies participated, with 72 employees attending. Looking ahead, Group members will continue to promote collaborative activities, and continue working to improve workplace environments and expand the range of areas in which people with special needs can thrive.



AISIN Group joint interview session



Establishment of an environment where our employees can work as long as they like

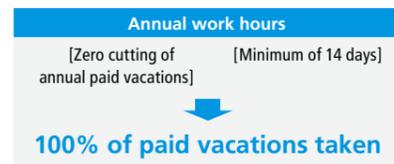
AISIN Group establishes systems for the re-employment of workers after retirement, including programs for limited hours or days of work, in response to varied requests from retirees. While observing relevant laws and regulations, we re-employ all interested personnel.

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. It supports regular employees who are five years before retirement by 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 their advanced skills and by introducing a new retirement benefit system as part of efforts to further expand the re-employment of retirees.

Measures for work-life balance

Shortening 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 vacations.



[Zero cutting of annual paid vacations]

This initiative aims to ensure planned use of annual paid leave, and to prevent loss of paid vacations which employees are entitled to take but failed to take in time. Targets for paid vacations to be taken differ between individual employees (ranging between zero and 20 days.)

[Minimum of 14 days]

This initiative aims for all union members to take at least 14 annual paid vacations per year. The target number of paid vacations to be taken is the same for all employees (14 days).

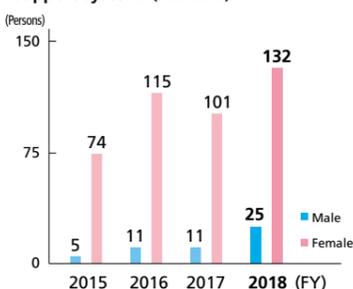
Work-life balance support system

In addition to schemes stipulated by law, we are also advancing work style reforms that will enable employees to create career paths without excessive stress or strain.

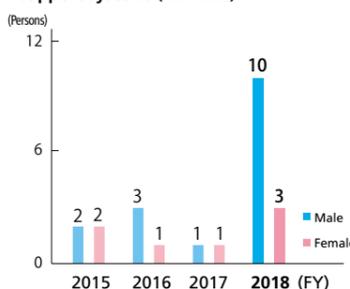
Examples at Aisin Seiki

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 two
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.
Family allowances	The Group pays allowances for children and family members requiring nursing care or other support

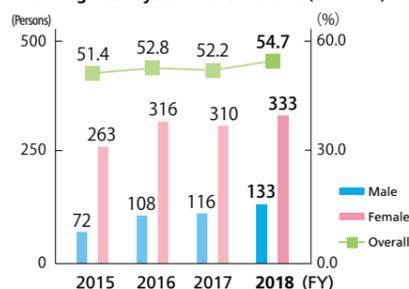
Number of employees using parental support systems (Aisin Seiki)



Number of employees using family-care support systems (Aisin Seiki)



Number and rate of employees using short working hour system for child care (Aisin Seiki)



Number of regular employees/managerial personnel (Aisin Seiki) (Persons)

	FY2015	FY2016	FY2017	FY2018
Administrative workers in management track position*1	35 11.4%	47 23.4%	39 25.6%	33 24.2%
Technical workers in management track position*1	143 4.9%	167 13.1%	144 9.0%	125 11.2%
Workers in professional track position at production site, etc.*1	142 7.7%	189 7.9%	185 17.1%	276 10.5%
Workers in practical work position*1	30 100%	30 100%	18 100%	17 100%
Number of managerial personnel*2	1,739 1.8%	1,870 2.1%	1,922 2.39%	2,007 2.92%

Average length of service (Aisin Seiki) (Years)

	FY2015	FY2016	FY2017	FY2018
Overall	15.4	14.8	15.1	15.2
Male	15.8	15.3	15.7	15.8
Female	12.2	11.1	11.4	11.4

*1 The lower numbers indicate the percentage of female out of all employees.

*2 The lower numbers indicate the percentage of female out of all managerial personnel.

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, AISIN Group continually strives to enhance the safety and health of all employees.

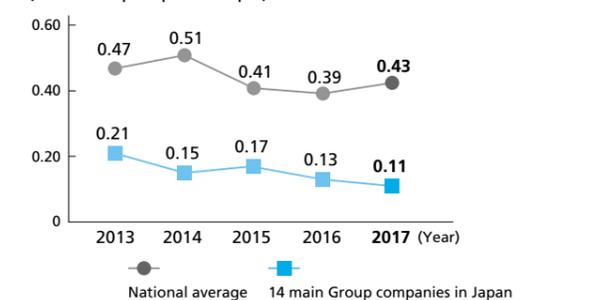
Aspiring to be the world's most safety-conscious corporate group

In April 2017, AISIN Group established the All-Aisin Safety, Health & Environment Center, with the aim of promoting key activities and achieving speedy responses to health, safety and environmental issues, as a united Group. We have established new unified safety standards based on the AISIN Global Safety Standard (AGSS) with the aim of eliminating STOP6* accidents that lead to major accidents, and the 14 main Group companies are making concerted efforts to promote the creation of a safer corporate Group. In fiscal 2018, top-level management at each Group company made thorough efforts to gain a greater understanding of factory floor level workplaces and implemented initiatives in line with action plans. In this way, we have advanced occupational health and safety activities to resolve problematic issues in these workplaces.

We have also introduced a set of ALL TOYOTA Safety Standard for Contractor Work on the Premises and launched a program of specialized safety training for employees engaged in order-placing activities, with the aim of preventing serious incidents in outsourced on-site construction work. We will continue these efforts further in fiscal 2019.

In fiscal 2018, the 14 main Group companies continued to maintain a frequency rate for injuries from occupational accidents resulting in lost work time that was lower than the national average for the manufacturing industry.

Rate of lost work time injuries resulting from work accidents (14 main Group companies in Japan)



$$\text{Frequency rate of injuries resulting in lost work time} = \frac{\text{Injuries and deaths caused by work accidents (lost work time)}}{\text{Total work hours}} \times 1,000,000$$

* STOP6: 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)

Overseas initiatives

Overseas, members from regional Group companies assemble at Safety and Environmental Specialist Liaison Committees for each of the seven regions—China, Thailand, Indonesia, India, North America, Europe and South America—to share information on relevant laws and regulations and examples of activities being conducted at each company.

In fiscal 2018, mutual safety inspections were conducted at all business locations in each global region, with the target of eradicating STOP6 accidents. Moving forward, we will seek to further deepen collaboration with regional management companies and parent companies and raise the level of these activities.



A mutual safety inspection in the Thailand region

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 maintain and improve physical health

We provide specific health guidance to employees at high risk of developing a lifestyle disease. A total of 1,308 employees received advice from a public health nurse on quitting smoking, taking up exercise and improving dietary habits. We also pay care and consideration to employees at high risk of developing illnesses affecting the brain or heart, such as by applying working restrictions. We also conducted checkups for detecting stomach and bowel cancers, with 99.3% of eligible employees receiving these checkups. We carried out annual regular health checkups for employees posted overseas, and implemented necessary post-checkup measures, under the guidance of industrial physicians.

Initiatives to maintain and improve mental health

We provided self-care education to 545 employees in their second year of employment with the Group to promote greater understanding of mental health. We also established an internal consultation desk that not only accepts consultations from individual employees with mental health issues but also responds swiftly to consultations in coordination with managerial personnel. We also provided support to persons on long-term leave through the Return to Work Trial, which contributes to enabling such employees to return to work smoothly.

Activity Details of 14 Main Group Companies in Japan

Aisin Seiki**Driving activities to increase understanding of all personnel working on-site at Aisin Seiki**

Top-level management and supervisors conduct on-site checks of day-to-day work activities being carried out not only by employees but also contractors, outsourced construction workers and service providers working on site. By speaking directly with workers and identifying difficult jobs and other problems, Aisin Seiki is advancing planned improvements, seeking to achieve a zero incidence rate for accidents and improve the workplace environment.

Aisin Chemical**Creating a "safety-first" culture with participation of managerial personnel in all departments**

Through general safety inspections, Aisin Chemical is driving activities conducted by corporate officers, management personnel in relevant departments (e.g., manufacturing, production technologies and production management) and workers' unions to eradicate sources of danger that lead to STOP6 incidents. In terms of fire-prevention activities, the company has worked to achieve greater linkage between local ventilation equipment and equipment using organic solvents, and reviewed the installation positions for its fire-prevention dampers and inspection hatches. These improvements were completed during fiscal 2018.

Aisin Keikinzoku**Conducting health and safety activities with an understanding of workplace needs**

Aisin Keikinzoku conducts continuous level-specific danger simulation training to promote safety awareness and encourage safer behavior for all employees. Moreover, in order to enable all employees to enjoy their jobs and work in a livelier and more energetic manner, the company also engages workplace counselors in activities to gain a greater understanding of workplace needs, with the aim of creating a network to effectively catch employees with mental health issues.



Simulated experience of a backward fall

Aisin Kiko**Conducting accident prevention activities with top-level management participation**

At Aisin Kiko, the entire company works together to prevent accidents, with officers, managerial personnel and order-placing departments holding advance meetings to consider the risks involved in outsourced on-site construction work and conducting work safety patrols. The company is working to reduce construction work-related accident risks, with the aim of creating a completely accident-free workplace.

Aisin Sin'ei**Mutual safety patrols by top-level plant management personnel**

Plant managers conduct monthly mutual safety patrols at Aisin Sin'ei's four plants. By speaking with workers and asking directly whether there are any tasks that they consider difficult to perform. Managers verify whether plant conditions enable standard work practices to be properly observed and adhered to. Moreover, in the occurrence of an accident, managers share the findings of on-site checks and issues identified and take that information back to their own plants in order to implement suitable countermeasures.

Hosei Brake Industry**Continuing safety activities with an understanding of workplace needs**

Hosei Brake Industry listens directly to the opinions of employees who have experienced a near-miss or suggested a problematic issue, and implements optimal improvements. By encouraging employees to work together in a united effort to improve upon work tasks that are difficult to perform, the company is improving safety awareness. Additionally, the company is also promoting safer work by exchanging opinions with external contractors engaging in on-site work in order to identify and improve upon problematic issues.

Shiroki Corporation**Energizing communication with contracted on-site construction personnel**

Shiroki Corporation has launched a program of safety lectures for external contractors with a view to enhancing safety of outsourced on-site construction work. Though these lectures, the company is seeking to improve safety awareness by presenting the sentiments of top-level management with regard to safety and case studies of recent accidents.

Aisin Takaoka**Conducting activities with an understanding of workplace needs**

In 2014, Aisin Takaoka expanded the scope of its activities to a global scale, and began a process of standardization. Since fiscal 2017, it has advanced a program of assimilated activities, with a central focus on activities to gain a greater understanding of employee needs in the workplace. The company utilizes a "near-miss" scheme to identify problematic issues and implements kaizen (improvement) activities from a worker perspective, using insights gained through morning meetings held prior to commencing work and regular work observation meetings. The company also seeks to share information on these activities through reports made at plant safety committee and company-wide plant safety meetings.



Morning meeting booth

Aisin AW**Establishing problem identification and improvement activities for understanding on-site needs**

Aisin AW identifies problematic issues by listening to the opinions of each and every one of its employees and implementing day-to-day improvement activities based on those insights. Top-level management personnel identify problems by patrolling the workplace and engaging in activities to understand the needs of workers better by speaking directly to them. In this way, they seek to energize and firmly establish these improvement activities.

Aisin Development**Driving activities to understand workplace needs and prevent recurrences of accidents**

Top-level management personnel, officers, department heads, on-site supervisors and safety department personnel all strive to identify problematic issues and improve the working environment by speaking directly to workers at construction sites. The company also seeks to prevent recurrences by utilizing manuals containing example accident case studies.

Aisin AI**Driving efforts to ensure safety for contracted on-site construction personnel**

Although in the past Aisin AI had worked continuously to identify difficult jobs for outsourced on-site contractors and make various improvements, at the end of 2017 the company was struck by the occurrence of a serious accident. As a countermeasure to prevent recurrences, the company has implemented various improvements, including the introduction of a mechanism for drawing attention to high-risk activities by subdividing construction plans to identify dangerous areas and setting danger level ranks; and building a system for sharing details of construction plan locations to avoid overlaps in construction work.

Aisin AW Industries**Creating a workplace culture of prioritizing health and safety**

In addition to continuous activities to gain greater insight into workplace needs (including patrols by top-level management personnel and activities to identify problematic issues), Aisin AW Industries has also established a "Think About Safety Day" on the first Wednesday of every month, and is working to improve safety awareness by holding workplace safety meetings and having employees make personal action pledges.

ADVICS**Driving safety activities to improve workplace capabilities**

In order to prevent the occurrence of STOP6 accidents, ADVICS is implementing safety checks and improvement activities for its equipment, such as preventing startup by third-party personnel at all locations globally. By ensuring safety, improving competence and encouraging mutual communication, ADVICS is driving activities to ensure that things are done properly and completely.

Art Metal Mfg.**Safety activities to gain a greater understanding of workplace needs**

Top-level management personnel, corporate officers and other managerial personnel at Art Metal Mfg. continue to conduct work observations during nighttime working hours. Top-level management and officers identifying problematic issues such as darkness, danger and difficulty in performing work tasks, and managerial personnel exercising appropriate leadership lead to various improvements with regard to these issues.

Quality First

Management philosophy

AISIN Group has advocated the philosophy of "Quality First" and believes that enhancing the quality of its products and work forms the basis of its existence. In addition, it promotes 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, the Group held the third All-Aisin TQM Conference in fiscal 2018, in which 461 participants, including members of top-level management from various Group companies, directly shared their commitment of AISIN's top management to TQM activities. AISIN Group continues to develop human resources capable of maintaining and improving quality standards throughout the Group. As part of our efforts to protect quality and raise the level of our human resources development, from both a Group-wide and global perspective, AISIN Group also invited lecturers from JR East to speak at the conference.

In fiscal 2018, it established "No. 0," which forms the foundation for the Group management policy, as "Top Prioritization of Safety and Compliance and Quality First."



All-Aisin TQM Conference

A Group-wide and worldwide effort to put customers first

With the arrival of a major period of transformation for the automotive industry, which is said to take place once in a century, customer attitudes with regard to quality and approaches to quality assurance are changing. In April 2017, the Group established the All-Aisin Quality Assurance Center, and is now driving various quality-related initiatives based on the implementation of a new Group quality policy aimed to make the Group companies face a single, common direction. In terms of activities to prevent the occurrence of quality-related issues, AISIN Group is seeking to share experi-

ence and know-how among Group companies and has sought to improve efficiency by developing mechanisms for making effective use of their equipment and human resources. In fiscal 2019, it will shift toward full-scale operation of these mechanisms at Group Companies.

Aisin Seiki is engaged in global quality assurance activities working to enhance quality, with the Company's head office working in collaboration with counterparts in each region—the core of these consisting of Overseas Regional Quality Improvement Committees in North America, Europe, Australasia, China, India and South America. Moreover, QA (Quality Analysis) centers in North America, Australasia and China are driving the development of local human resources in those regions who are able to perform swift and effective quality analyses. Moving forward, we will seek to achieve Group-wide "All-Aisin" collaboration as we continue to advance these efforts.

Avoiding a repeat of the same failures

In April 2016, AISIN Group established the Quality Learning Zone for the purpose of "learning from past failures." In July 2018, with the aim to further improve quality awareness, the Group installed a "tunnel for learning how scary quality problems can be" based on the theme of knowing and feeling the importance of quality at a company. AISIN Group also plans to create a new simulator, present the voices of people who have experienced quality issues in the past and hold various exhibitions of expertise gained from past faults and defects at various Group companies.



"Tunnel for learning how scary quality problems can be"

Raising awareness of quality 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. They also promote human resources development through these activities.

These QC circle activities are now widespread throughout Group companies in and outside Japan, with a total of 2,595 circle groups participating. After a regional conference based selection process, the outcomes of successfully selected circles are announced at the Global QC Circle Conference. In fiscal 2018, a total of 47 circles with 200 members from 47 Group companies in 15 countries participated in Aisin Seiki's conference and reported keenly on their activities. As for activities to propose innovative improvement ideas, AISIN Group remains 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.



Global QC Circle Conference

Developing professionals in quality

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 2018, 30,139 employees from the 14 main Group companies had acquired the certification. Additionally, to cultivate scientific problem-solving capabilities, the Group is promoting the practical use of a fact- and data-based scientific approach through training in SQC methods and by sharing information in improvement examples.

Initiatives to ensure reliability

AISIN Group thoroughly surveys actual product usages 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, the Group operates three large-scale proving grounds, and from the standpoint of users, conducts 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. It also repeats 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 AISIN Group to accumulate new knowledge and data, which it then incorporates into development, quality assurance and improvement of evaluation

technologies.

In fiscal 2018, AISIN Group began considerations with regard to evaluation testing and facilities for the evaluation of next-generation products. It developed a Group-wide collaborative framework for training test drivers at Fujioka Proving Ground. Moving forward, in addition to testing with actual vehicles, AISIN Group will also work to construct virtual evaluation models by incorporating simulation technologies utilizing computers.

For lifestyle and energy related products, the Group conducts repeated tests using environmental chambers and other large-scale equipment, so that it can continue to create products that are both safe and reliable.



Fujioka Proving Ground

TOPICS

Young engineers who are leading the evolution of evaluation technology

The young engineers in our Reliability Technology Department make challenges in new areas and work continuously to develop next-generation technologies. At Toyokoro Proving Ground, with the cooperation of experts from Toyohashi University of Technology, young engineers who have studied precision measurement techniques evaluate their own ideas from a user standpoint in view of multiple aspects. Although they sometimes face difficult issues, they work to expedite the development of next-generation products by acquiring new evaluation technologies, with a strong sense of mission that they themselves must "lead next-generation development."



A lecturer is invited to speak at a study group.

Responding to customers

AISIN Group listens seriously to the voices of its customers and responds to their requests. In order to do so, it organizes large-scale quality example exhibitions regularly and sets up permanent booths where employees can listen to complaints from customers. For lifestyle related products, the Group has renewed its telephone response system and improved workability for its operators. In order to improve their skills at handling telephone calls, all of the operators are working to obtain Level 2 "Moshi Moshi" proficiency test certification. The opinions that the Group receives from customers are communicated to relevant corporate officers and departments, and analyzed and distributed internally.

Developing human resources and systems with a consumer-oriented perspective

The Customer Support Department works to ascertain information regarding the latest revisions to rel-

evant laws and regulations, such as the Act Against Unjustifiable Premiums and Misleading Representations and the latest trends at the Consumer Affairs Agency, and incorporates this information into internal education and training programs. In its screenings of user manuals and sales promotion tools, the department seeks to improve and enhance the content of its screenings by obtaining overseas-oriented screening know-how, and by preparing and distributing glossaries for preventing proofreading errors. In fiscal 2019, the department clarified key screening points in order to respond better to the increase in the number of sales promotion tools utilizing web and video-based approaches. These points will be incorporated into future screening processes. AISIN Group currently has 30 consumer lifestyle advisor qualification holders in-house, who work to build connections between consumers and the company. In fiscal 2019, as well, it will continue to support employees taking examinations to obtain these qualifications.

Co-Existence and Co-Prosperity with Suppliers

Trust developed as a good business partner

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

■ Fiscal 2019 Group Procurement Policy

[The vision]

Achieving optimal procurement for AISIN Group to coexist and prosper together with its suppliers, based on the prerequisite of long-term stable transactions

Policy

AISIN Group's procurement policy consists of the following three points, working under the prerequisite of transactions based on thorough prioritization of safety and compliance and putting quality first.

- 1. Enhancing the foundation that underpins the Group's corporate activities:**
Promoting fair and open CSR procurement
- 2. Improving competitiveness of existing business operations through unified efforts between the Group and its suppliers:**
Providing support for activities to enhance the character of suppliers, to enable them to respond to technological innovations and changes in procurement volume
- 3. Formulation and implementation of survival strategies for the Group and its suppliers, with a focus on next-generation products:**
Proactive participation as strategic partners to have suppliers develop next-generation products together with the Group

Jointly undertaking CSR initiatives with suppliers

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 its suppliers, the Group promotes fair procurement activities based on the spirit of openness and fairness, and mutually concludes basic transaction agreements with suppliers placing greater emphasis on CSR-related clauses.

In fiscal 2018, AISIN Group enhanced its management of substances that have an environmental impact, based on the Green Procurement Guidelines that the Group has worked to implement until now to ensure a reliable response to environmental laws and regulations, which are becoming more stringent increasingly year by year in countries around the world. In order to accomplish this, AISIN Group requested surveys of chemicals contained in items purchased from its suppliers and had them disclose and register relevant information in a shared system for recording data on chemical substances. In fiscal 2019, the Group will consider the deployment of this system on a Group-wide, global scale.

AISIN Group is also engaged in initiatives as a Group with a view to achieving future-oriented trade practices with its suppliers, such as by making payments to all



Presentation outlining our procurement policy for fiscal 2019

domestic small-to-medium-sized suppliers in cash. Additionally, AISIN Group has established a contact point for suppliers to make inquiries and seek advice on matters related to business ethics.

TOPICS

Promoting minority procurement in North America

In the United States, there are demands to increase volumes of goods purchased from businesses owned by social minorities (minority-owned businesses), with the aims of promoting the growth and improving the competitiveness of these companies. Since expanding its operations into North America, AISIN Group has worked proactively to further procurement from minority-owned businesses.

Establishing a supply chain that is resilient to risks

In recent years, amid the occurrence of numerous natural disasters and fires, etc., that have a significant impact on stable production and procurement activities, AISIN Group has worked during peaceful times to ready itself for the occurrence of such disasters, and to enable itself to implement initial response and recovery protocols swiftly and reliably in the event of such incidents.

For many years, Aisin Seiki has worked to develop a supply chain data management system that enables it to receive data regarding parts and raw materials purchase from suppliers tracing back as far as details of individual manufacturing processes. The system makes it possible to utilize this information in conjunction with map data and disaster information, 24 hours a day, 365 days a year.

In fiscal 2018, Aisin Seiki made use of this information in considering countermeasures for each individual

product that it produces, envisaging the occurrence of various incidents. In particular, the Company considered the level of impact on customers and formulated specific countermeasures for particularly high-priority products with a view to early-stage recovery, based on considerations of the distinct characteristics of manufacturing processes and raw materials used.

We are also working to expand these activities to other Group companies, and working as a Group to bolster and increase the stability of our production and supply structure.

In fiscal 2018, AISIN Group also engaged in activities to promote greater mutual understanding with suppliers' top-level management, with a focus on fire prevention. Through these activities, it identified problematic issues in the workplace and linked this to various improvements. Looking ahead, the Group will continue to engage in fire-prevention activities with suppliers, with the aim of creating a positive upward spiral.



Activities to promote greater mutual understanding with suppliers

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 2018, AISIN Group 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. The Group has since provided customers with feedback on its findings, and its customers can use its products with confidence.

Learning the importance of safety, quality and the voices of customers at Aisin

Densho-kan

Aisin Densho-kan (Educational Center) is a place for all AISIN Group employees to learn about workplace safety and fire-prevention initiatives, the importance of safety and raw unfiltered feedback received from customers. For example, the Kumamoto Earthquakes Learning Zone is an educational space for ensuring that realizations and lessons learned from the Group's responses to the 2016 Kumamoto Earthquakes are properly passed on its employees. This zone features easy-to-understand exhibits designed to increase awareness with regard to disaster prevention and readiness by presenting efforts made from directly after the occurrence of the disaster up until recovery and the importance of initiatives to reduce earthquake damage.

*Aisin Densho-kan is not open to the general public.



Newly constructed Kumamoto Earthquakes Learning Zone at Aisin Densho-kan



Social Contribution Activities

"Be With" local communities

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 it operates, and actively contributes to activities closely connected to local communities under the AISIN Group Principles of Corporate Behavior.

It also aims to conduct effective social contribution activities leveraging the collective capabilities of the entire Group.

"Be With" goes hand in hand with its activities. Globally, the Group is working "together" with members of local communities to build a richer society.

Three pillars of social contribution activities

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 Support. Through these activities, the Group is working proactively to contribute to the achievement of the Sustainable Development Goals (SDGs), a set of common goals for international society to work toward achieving by the year 2030.



Protection of Nature and the Environment

Conducting tree-planting activities in Japan and China

In Japan, the 14 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, the Group has been conducting tree-planting activities in the Xilinhote district of the Inner Mongolia Autonomous Region. In July 2017, 51 employees from Japan and



Saplings including yellow willow are planted

overseas AISIN Group companies and 32 local junior high school students participated in these activities, planting approximately 100,000 saplings and learning the importance of tree planting through environmental education.

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

AISIN Group has been conducting environmental conservation activities in the basin of the Yahagi River, which Group companies in Aichi Prefecture use to obtain water for industrial and domestic purposes. 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. The Group holds 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 2018, a total of 376 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.



Maintenance of the walking path

Tree planting activities aiming to support the recovery of the Tohoku region

Since fiscal 2016, AISIN Group has supported coastal forest regeneration activities in cooperation with the Association for the Preservation of Takatamatsubara, with the aim of supporting recovery efforts in the city of Rikuzentakata, Iwate, which suffered major damage during the Great East Japan Earthquake. Through fundraising efforts by employees, the Group has nurtured saplings since 2015 and planted 250 Japanese black pines in June 2018. Through these activities, 56 AISIN Group employees have been able to appreciate first-hand the importance of abundant coastal forests and raise their awareness with regard to the environment.



Planting of Japanese black pines

school board to provide support for young people wishing to work as permanent employees at the company to obtain high school diplomas. By having them take lessons while they work as workers at the company, ADVICS is providing backup for these young people in obtaining their high-school diplomas.



Scene from a lesson

Donating uniforms to local junior high schools

In addition to making annual donations of second-hand clothes to social welfare facilities as part of its CSR activities, Aisin Automotive Haryana (Rohtak, Haryana State, India) began a new initiative by presenting winter jackets to all 350 students at local elementary schools in March 2018.

During the winter season, Rohtak experiences cold weather conditions with minimum temperatures of around 5°C. Because schools do not supply winter clothing and many children come from families with many children that cannot afford to purchase these clothes themselves, the company launched this initiative in the hope of contributing to improving the educational environment for these children. Moving forward as well, the company will aim to contribute to the local community by continuing to conduct activities in line with community needs.



Clothing being donated to children

Fostering Youth

AISIN Environmental Education Program

AISIN Group is 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 AISIN's corporate head office is located. To date, a total of about 24,000 students at 282 elementary schools have learned about the environment in a structured manner through the program, which focuses on topics such as forests, waterside environments and living.

Outreach seminar on monozukuri (manufacturing)

AISIN Group conducts seminars on *monozukuri* that involve classroom lectures and hands-on lessons and enable 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 Kariya City; and weekend workshops held at the Toyota Commemorative Museum of Industry



Experiencing monozukuri

and Technology (Aichi Prefecture). Approximately 10,600 children have participated in 108 events on 32 themes held to date at 13 cities and towns around Aichi Prefecture.

Project for refining automobile manufacturing [Kurumazukuri Kiwameru Project]

AISIN Group dispatches instructors to participate in the refining automobile manufacturing project, run by the city of Toyota in Aichi Prefecture, in which children experience first-hand the basics of automobile manufacturing, while at the same time learning about vehicle structure, and developing a sense of achievement and of doing a worthwhile job. In fiscal 2018, 131 children enjoyed participating in fun *monozukuri* experiences through this project.



Children receiving instruction

Project for supporting young people in obtaining high school diplomas to increase employment opportunities

Since November 2011, ADVICS Manufacturing Indiana (Indiana, USA) has worked in association with the local

Community Building and Development

Efforts toward social issues

Aiding the activities of organizations supporting the employment of persons with special needs

Aisin Seiki, Aisin Takaoka, Aisin Chemical, ADVICS and Hosei Brake Industry provide organizations with opportunities to sell bread and sweets in their cafeterias.

Taking part in TABLE FOR TWO

Aisin Seiki, Aisin Takaoka, Aisin Sin'ei, Hosei Brake Industry, Aisin AI, Aisin Chemical, ADVICS and Aisin Kiko 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 2018, the companies raised enough money to provide around 92,000 meals and achieved "Platinum Supporter" status, the highest level awarded by TFT for the fifth consecutive year.

Employee participation in TABLE FOR TWO

FY2018 **91,718** Cumulative total **655,864**

Donating vaccines to children in developing countries

AISIN Group continues to participate in 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

AISIN Group conducts various activities that are closely linked to local communities. In fiscal 2018, the 14 main Group companies supported 20 NPO groups through the All-Aisin NPO Activities Support Fund (Aichi, Fukui, Toyama and Nagano prefectures).



Members of supporting organizations

Every year, during spring and fall, the Group holds "Friendship Farm" harvest festivals in collaboration with Toyota Industries Corporation. AISIN Group invites the users of local welfare facilities to these festivals, and organizes hands-on activities for them to experience harvesting vegetables.

In addition to these activities, personnel from AISIN Group locations worldwide (including those in Japan) also contribute to their local communities by engaging in traffic safety monitoring duty, with the aim of eradicating traffic accidents and violations.

Outline of 14 Main AISIN Group Companies

(Sales and number of employees are as of March 2018)

Company Name Head Office	Businesses	Sales Employees
Aisin Seiki Co., Ltd. Kariya, Aichi, Japan	Automotive parts (Powertrain, Chassis & Vehicle Safety System, Body, ICT & Electronics), housing, lifestyle and energy fields	¥3,908.9 billion (consolidated), ¥852.421 billion (non-consolidated) 114,478 (consolidated), 14,198 (non-consolidated)
Aisin Takaoka Co., Ltd. Toyota, Aichi, Japan	Casting of iron, machining, plastic working and development, design, manufacture and sale of audio products	¥295.721 billion (consolidated), ¥139.473 billion (non-consolidated) 15,292 (consolidated), 2,572 (non-consolidated)
Aisin Chemical Co., Ltd. Toyota, Aichi, Japan	Development, design, manufacture and sale of chemical products, friction materials and resin parts	¥66.788 billion (consolidated), ¥52.961 billion (non-consolidated) 2,045 (consolidated), 1,280 (non-consolidated)
Aisin AW Co., Ltd. Anjo, Aichi, Japan	Development, design, manufacture and sale of AT, hybrid systems and car navigation systems	¥1,621.2 billion (consolidated), ¥1,384.3 billion (non-consolidated) 32,178 (consolidated), 18,817 (non-consolidated)
Aisin Keikinzoku Co., Ltd. Imizu, Toyama, Japan	Manufacture of aluminum die-cast products for automotive parts and aluminum extrusion-molded products	¥82.802 billion (consolidated), ¥72.695 billion (non-consolidated) 2,198 (consolidated), 2,046 (non-consolidated)
Aisin Development Co., Ltd. Kariya, Aichi, Japan	General contractor, real estate, renovation and living merchandise, insurance agency	¥48.863 billion (consolidated), ¥42.490 billion (non-consolidated) 527 (consolidated), 348 (non-consolidated)
Aisin Kiko Co., Ltd. Nishio, Aichi, Japan	Manufacture of functional automatic transmission components, drivetrain-related and body-related components	¥102.416 billion (consolidated), ¥102.327 billion (non-consolidated) 3,121 (consolidated), 2,972 (non-consolidated)
Aisin AI Co., Ltd. Nishio, Aichi, Japan	Development, design, manufacture and sale of MT, transfers and related components and accessories	¥154.741 billion (consolidated), ¥104.747 billion (non-consolidated) 3,798 (consolidated), 2,112 (non-consolidated)
Aisin Sin'ei Co., Ltd. Hekinan, Aichi, Japan	Stamping of automotive parts, painting and manufacture of body-related components	¥40.176 billion (consolidated), ¥39.317 billion (non-consolidated) 1,340 (consolidated), 1,276 (non-consolidated)
Aisin AW Industries Co., Ltd. Echizen, Fukui, Japan	Development and manufacture of AT components	¥168.939 billion (consolidated), ¥168.95 billion (non-consolidated) 4,140 (consolidated), 3,994 (non-consolidated)
Hosei Brake Industry Co., Ltd. Toyota, Aichi, Japan	Manufacture of drum brakes, disc brakes, axle housings and other automotive parts	¥61.685 billion (consolidated), ¥52.414 billion (non-consolidated) 1,770 (consolidated), 1,310 (non-consolidated)
ADVICS Co., Ltd. Kariya, Aichi, Japan	Development, design, manufacture and sale of automotive brake systems and their components	¥586.568 billion (consolidated), ¥347.119 billion (non-consolidated) 10,310 (consolidated), 3,590 (non-consolidated)
Shiroki Corporation Toyokawa, Aichi, Japan	Automotive interior functional parts, body exterior parts, production of seats for rail vehicles	¥266.137 billion (consolidated), ¥182.068 billion (non-consolidated) 5,964 (consolidated), 2,299 (non-consolidated)
Art Metal Mfg. Co., Ltd. Ueda, Nagano, Japan	Development, design, manufacture and sales of pistons for gasoline engines, pistons for diesel engines and piston pins	¥44.691 billion (consolidated), ¥29.256 billion (non-consolidated) 3,378 (consolidated), 944 (non-consolidated)

Executive Management

(As of June 2018)

Board of Directors

Chairman	Kanshiro Toyoda	Director	Hiroshi Uenaka
President	Kiyotaka Ise	Director	Kazuhiisa Ozaki
Executive Vice President	Makoto Mitsuya	Director	Kanichi Shimizu
Executive Vice President	Toshiyuki Mizushima	Director	Haruhiko Amakusa
Executive Vice President	Hitoshi Okabe	Director	Toshio Kobayashi
Director	Kazumi Usami	Director	Tsunekazu Haraguchi
Director	Masahiro Nishikawa	Director	Michiyo Hamada

Audit & Supervisory Board Members

Audit & Supervisory Board Member	Toshikazu Nagura
Audit & Supervisory Board Member	Masayoshi Hotta
Audit & Supervisory Board Member	Mitsuhiisa Kato
Audit & Supervisory Board Member	Ryo Kobayashi
Audit & Supervisory Board Member	Hikaru Takasu

Investor Information

(As of March 31, 2018)

Head Office

2-1 Asahi-machi, Kariya, Aichi 448-8650, Japan
Aisin Seiki Co., Ltd.
Tel: +81-566-24-8441 (main)

Established

August 31, 1965

Common stock

Authorized common stock: 700,000,000 shares
Issued and outstanding common stock: 294,674,634 shares
(including 25,184,075 shares of treasury stock)
Share unit number: 100 shares

Capital

¥45 billion

Listed securities exchanges

Tokyo and Nagoya (securities code: 7259)

Number of shareholders

20,114

Shareholder registry administrator Special account administration agency

P.O. Box 29, Shin-Tokyo Post Office 137-8081, Japan
Mitsubishi UFJ Trust and Banking

Major Shareholders

Shareholder's name	Number of shares held (thousand shares)	Voting ratio (%)
Toyota Motor Corporation	66,863	24.81
Toyota Industries Corporation	20,711	7.68
DENSO Corporation	12,964	4.81
Japan Trustee Services Bank, Ltd. (trust account)	10,041	3.72
The Master Trust Bank of Japan, Ltd. (trust account)	9,347	3.46
Towa Real Estate Co., Ltd.	6,344	2.35
Nippon Life Insurance Company	5,670	2.10
Sompo Japan Nipponkoa Insurance Inc.	3,700	1.37
Meiji Yasuda Life Insurance Company	3,675	1.36
National Mutual Insurance Federation of Agricultural Cooperatives	3,439	1.27

(Note) 1. The table above excludes 25,184 thousand shares of treasury stock held by Aisin Seiki Co., Ltd.
2. The voting ratio has been calculated by deducting the treasury stock from issued and outstanding common stock.

Distribution of shares

