Message from the Chairman and President

In fiscal 2019, we achieved record sales through initiatives to make our existing businesses more competitive, accelerate growth strategies with a view to the next generation and reinforce our management foundations for sustainable growth. It is thanks to our stakeholders that we have been able to achieve this, and we would like to express our warmest gratitude to you all. The world’s automotive industry is currently facing the biggest period of change in 100 years. “Quality First” has been AISIN Group’s basic philosophy since we were first established. We continually approach our work with a customer-first mindset, striving to create safe and high quality products for our customers. This basic philosophy will continue to guide our ESG initiatives. Information on our ESG initiatives covers work that has a particularly significant impact on our corporate value from the perspective of priority. Other details can be found on our website.

We hope that you will continue to support us and work with us in the future.

Kanshiro Toyoda
Chairman
Aisin Seiki Co., Ltd.

Kiyotaka Ise
President
Aisin Seiki Co., Ltd.

Corporate principles
Based on “Quality First”

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

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

4. Individual Creativity and Initiative
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.

5. Continuity with the past
We are committed to developing the traditions and values of AISIN Group.

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

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

8. Sustainable development
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.

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

10. A 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.

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

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

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

Editorial policy
AISIN Group Report (Integrated Report) is issued by AISIN Group to provide shareholders, investors and other stakeholders with an understanding of our initiatives to increase our corporate value in the medium to long term. The report is edited according to the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry to provide more important information on how we are increasing our corporate value. This information includes the history and strengths of AISIN Group, our strategies and business activities in the face of the biggest period of change in 100 years, and our ESG initiatives. Information on our ESG initiatives covers work that has a particularly significant impact on our corporate value from the perspective of priority. Other details can be found on our website.

Framework for Disclosure of Information

Financial Information

AISIN Group Report 2019

Includes:
• Financial Report
• Shareholders’ Report

Reference guidelines

Issued
September 2019

AISIN Group website
https://www.aisin.com

Other Information

AISIN Group website
https://www.aisin.com

Includes:
• Corporate Governance Report
• Social and Environmental Initiatives
• Environmental Data
• Financial Data

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Outstanding technology development

Aisin Group draws on a vast base of highly specialized technology in order to respond to the increasingly sophisticated and diverse needs of the automotive industry and the demands of society. From artificial intelligence to automated vehicles and cutting edge research to CASE* product development, Aisin Group has the agility and ability needed to remain on the leading edge for the future while producing the products of today.

Creative development of technology that is environmentally friendly, fuel-efficient, safe and user-friendly

We never lose sight of our vision to expand our existing products globally, and to develop products that will change the future of society. The 13 main companies in Aisin Group have 19 development sites and 13 advanced research facilities worldwide along with three test courses. At any moment around the world, there is an Aisin team working hard to discover the next technological breakthroughs in the automotive industry.

Comprehensive evaluation of the functions and performance required for every vehicle

When it comes to proving grounds, Aisin Group was a trailblazer, beating our competitors to the punch by building a general proving ground including a circuit in 1970. Our proving grounds are an important part of our constant work to verify and improve the performance and durability of our products, with highly advanced facilities and test courses recreating road conditions around the world. Tests are conducted from a variety of angles, always with our users’ experience in mind. The results of our evaluations are instantly applied to our product development work in an ongoing initiative to provide the reliability that the industry increasingly demands. We are always working to improve evaluations to accelerate development of next generation of products and make efficient use of our findings throughout the group.

Welcoming outside perspectives through wide-ranging collaborations with partners

Aisin Group has a long history of alliance with research institutes, universities and other partners for technical collaborations such as the historic Technova* project. We continue to look outside our own practices to gather information from a variety of industries to best anticipate and respond to the rapidly changing demands of the industry. In January 2018, Aisin Group formed a consolidated subsidiary fund, the Fenox Venture Company in Silicon Valley, California, to maximize the resources of outstanding technical startups. We also signed a capital and business partnership with Idein Inc. in February 2018. This partnership will work to develop cutting-edge technology, making use of Idein’s AI model designs and outstanding technology for mass-produced microprocessors to develop AI-based products.

*Technova is a technical think tank that was established in Aisin Group in 1978.
Excellent manufacturing (production technology)

At AISIN Group, we give 110% to our manufacturing work, creating top-notch production technology to produce products with quality our customers can rely on. And we have no plans to rest on our laurels—we will continue to innovate in the creative methods and build production processes we have developed for the next generation of products, and we will build on our framework for our development of production technology so that every product in every region of the world has the best possible quality.

Supplying high-quality products worldwide

We have built a global supply framework with 150 production sites around the world. We work closely with the world’s major automotive manufacturers to develop and supply products that meet their diverse range of needs and provide a high degree of added value.

150 production sites around the world

Wide range of production methods and technology

With a wide range of production methods and technology, from die casting and pressing to cutting, raw material handling and assembly, AISIN Group is involved in the entire production process, and our products account for an enormous number of the parts in a vehicle.

Sharing knowledge and techniques to contribute to global growth

We know that high-quality products come from highly skilled workers, and one of our most important initiatives is a global training program for our manufacturing team members. This enables us to pass on the knowledge and techniques that AISIN Group has developed over the years, and contributes to the development of the countries where AISIN’s companies are located.

Cohesive strength as a group

With specialized expertise in a wide range of business fields, we are able to meet the wide-ranging needs of consumers—our end customers—in areas that range from our core automotive parts business to fields such as electronics and energy.
### Financial Highlights

#### Net sales, operating income and operating margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Billion yen)</th>
<th>Operating income (Billion yen)</th>
<th>Operating margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3,000</td>
<td>600</td>
<td>20</td>
</tr>
<tr>
<td>2016</td>
<td>3,200</td>
<td>640</td>
<td>20</td>
</tr>
<tr>
<td>2017</td>
<td>3,400</td>
<td>680</td>
<td>20</td>
</tr>
<tr>
<td>2018</td>
<td>3,600</td>
<td>720</td>
<td>20</td>
</tr>
<tr>
<td>2019</td>
<td>3,800</td>
<td>760</td>
<td>20</td>
</tr>
</tbody>
</table>

#### Profit before tax and profit attributable to the owner of the parent company for the current period

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before tax (Billion yen)</th>
<th>Profit attributable to the owner of the parent company (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>2016</td>
<td>160</td>
<td>110</td>
</tr>
<tr>
<td>2017</td>
<td>170</td>
<td>120</td>
</tr>
<tr>
<td>2018</td>
<td>180</td>
<td>130</td>
</tr>
<tr>
<td>2019</td>
<td>190</td>
<td>140</td>
</tr>
</tbody>
</table>

#### Total CO₂ emissions and CO₂ emissions per sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Total CO₂ emissions (1,000 t-CO₂)</th>
<th>CO₂ emissions per sales (Index)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2016</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>2017</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>2018</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>2019</td>
<td>140</td>
<td>140</td>
</tr>
</tbody>
</table>

### Other Highlights

#### Total CO₂ emissions in transportation and CO₂ emissions per sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Total CO₂ emissions in transportation (1,000 t)</th>
<th>CO₂ emissions per sales (Index)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2016</td>
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<td>120</td>
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<tr>
<td>2018</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>2019</td>
<td>140</td>
<td>140</td>
</tr>
</tbody>
</table>

### EPS (basic earnings for the current period per share)

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (Billion yen)</th>
<th>Payout ratio</th>
<th>Total return ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>150</td>
<td>0.10</td>
<td>10.00</td>
</tr>
<tr>
<td>2016</td>
<td>160</td>
<td>0.11</td>
<td>11.00</td>
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<tr>
<td>2017</td>
<td>170</td>
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<tr>
<td>2018</td>
<td>180</td>
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<td>13.00</td>
</tr>
<tr>
<td>2019</td>
<td>190</td>
<td>0.14</td>
<td>14.00</td>
</tr>
</tbody>
</table>

#### Dividends per share, payout ratio and total return ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per share (Billion yen)</th>
<th>Payout ratio</th>
<th>Total return ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>150</td>
<td>0.10</td>
<td>10.00</td>
</tr>
<tr>
<td>2016</td>
<td>160</td>
<td>0.11</td>
<td>11.00</td>
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<tr>
<td>2017</td>
<td>170</td>
<td>0.12</td>
<td>12.00</td>
</tr>
<tr>
<td>2018</td>
<td>180</td>
<td>0.13</td>
<td>13.00</td>
</tr>
<tr>
<td>2019</td>
<td>190</td>
<td>0.14</td>
<td>14.00</td>
</tr>
</tbody>
</table>

### Total employees, overseas employees and ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Total employees</th>
<th>Overseas employees</th>
<th>Ratio of overseas employees (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,000</td>
<td>100</td>
<td>10.00</td>
</tr>
<tr>
<td>2016</td>
<td>1,100</td>
<td>110</td>
<td>10.00</td>
</tr>
<tr>
<td>2017</td>
<td>1,200</td>
<td>120</td>
<td>10.00</td>
</tr>
<tr>
<td>2018</td>
<td>1,300</td>
<td>130</td>
<td>10.00</td>
</tr>
<tr>
<td>2019</td>
<td>1,400</td>
<td>140</td>
<td>10.00</td>
</tr>
</tbody>
</table>

#### Rate of disabling injuries occurring in the workplace

<table>
<thead>
<tr>
<th>Year</th>
<th>Total working hours</th>
<th>Disabling injury frequency rate</th>
<th>National average (3 main Group companies in Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,000,000</td>
<td>0.00</td>
<td>0.15</td>
</tr>
<tr>
<td>2016</td>
<td>1,000,000</td>
<td>0.01</td>
<td>0.16</td>
</tr>
<tr>
<td>2017</td>
<td>1,000,000</td>
<td>0.02</td>
<td>0.17</td>
</tr>
<tr>
<td>2018</td>
<td>1,000,000</td>
<td>0.03</td>
<td>0.18</td>
</tr>
<tr>
<td>2019</td>
<td>1,000,000</td>
<td>0.04</td>
<td>0.19</td>
</tr>
</tbody>
</table>
Laying the foundation for the next 50 years and beyond...

AISIN Group has contributed to the development of the automotive industry with advanced technology, superb manufacturing and cohesive strength as a group. Now, the industry is facing the biggest period of change in over a century with new advances including electrification and automated driving. We have the opportunity once again to contribute to the future of the industry by changing as a company, and here we will tell you about our plans and initiatives for sustainable growth.
Based on “Quality First”

With “Quality First” as our corporate principle, AISIN Group continually strives to create appealing products for our customers. “Quality First” is at the heart of everything we do, and it is the guiding principle of our manufacturing processes. But with values becoming more and more diverse, the types of products and levels of quality that our customers are seeking are many and varied. We need to give each of our customers our full attention and provide the quality they are looking for. I want to look at our corporate principles through that lens as we build our business on those principles.

To survive the biggest period of change in 100 years, we must change ourselves

Rapid changes to the environment around us

It has been said that the automotive industry is experiencing the biggest period of change in 100 years. Fuel consumption and exhaust gas regulations are becoming more and more stringent around the world, prompting a shift to electric vehicles. Meanwhile, automated driving technology is advancing rapidly due to dramatic progress in components such as computer, image processing and AI. Companies from a wide range of industries are seeking to differentiate themselves and act quickly and proactively, rather than waiting passively.

With “Quality First” as our corporate principle, we want each person at AISIN to think for themselves and act quickly and proactively, rather than waiting passively. The second guideline is to scrap and build with nothing considered untouchable. With resources, it is essential to choose carefully and focus on what we have chosen. Even in businesses that have contributed to AISIN Group’s growth in the past, we may lose our competitive edge and find no prospects for growth. If this happens, we need to reassess the situation quickly, scrap these businesses and shift to areas where our resources are needed. The same is true in each of our individual operations: we need to prioritize our work, scrap the tasks with the lowest priority and shift to the work that truly needs to be done now.

Three policies for action with a shared sense of urgency

In order to make the drastic changes needed, each and every person at AISIN, from executives to employees, needs to properly understand the major changes that are taking place in the industry and approach this situation with the sense of urgency that it merits. We established three Action Guidelines that will serve as common philosophies for the group as a whole. Our first Action Guideline is initiative and speed. We expect each person at AISIN to think for themselves and act quickly and proactively, rather than waiting passively.

The second guideline is to scrap and build with nothing considered untouchable. With resources, it is essential to choose carefully and focus on what we have chosen. Even in businesses that have contributed to AISIN Group’s growth in the past, we may lose our competitive edge and find no prospects for growth. If this happens, we need to reassess the situation quickly, scrap these businesses and shift to areas where our resources are needed. The same is true in each of our individual operations: we need to prioritize our work, scrap the tasks with the lowest priority and shift to the work that truly needs to be done now.

The third is to break down barriers. Until now, AISIN Group has used branch management to achieve specialization and speed, but as the company has grown, redundancy has occurred in our business and management, while collaboration has sometimes been insufficient. To resolve these issues, we launched a Virtual Company (VC) System in April 2017. Areas of business that are duplicated between group companies all operate together as if they are one “company”. In future, we will think outside the VC system to further accelerate collaboration within the group.

Since I was appointed as President in June 2018, I have regularly explained the situation to all of our employees so that they can understand our policies for action and the sense of urgency they need to have about these major changes. We will need to carry out structural reforms quickly in order to adapt, and nothing is more essential than a change in our employees’ awareness in order to make these reforms happen. I want this to become entrenched in AISIN’s culture and make AISIN a strong company that can grow sustainably and bring new value to society.

Aiming for growth through steady work on two reforms

In recent years, AISIN Group has continually performed well due to growth in demand for core products such as automatic transmission (AT), but the changes taking place mean that these increases in our figures will not last long-term—in fact, our profits decreased in FY2019 due to a decline in the Chinese market. We are still feeling the pinch in FY2020, and our profits are expected to decrease for the second year in a row. If the electrification of powertrains continues, demand for AT may never again be what it used to be—making it difficult to predict the future of this core business.

We need to increase our development of technology and investment in the future. What we do have are AISIN’s three unique strengths: our advanced technology, superb manufacturing (production technology) and cohesive strength as a group (wide-ranging areas of business). We will strengthen these and address the issues we are experiencing through two reforms.
Creating value with a view to the next 50 years

Message from Top Management

Reform of corporate structure to handle CASE

AISIN Group’s key strength is our wide-ranging areas of business - we make up to 15,000 of the approximately 30,000 parts a car is said to contain. This technology combined with our commitment to quality will enhance our development capabilities for the wide range of products required in the age of CASE.

By applying the technical base we’ve established with other products, we are tackling electrification through the development of 1-motor hybrid transmission, 2-motor hybrid transmission, and electric drive modules such as the eAxle series, along with other products involved in electrification of cars, such as electric pumps and our electronically controlled brake system.

We are also actively strengthening our frameworks for development, sales, and production. In April 2019, we entered a joint venture with Denso Corporation to establish Blu Nex Corporation to produce and sell electric drive modules such as eAxle. We also combined Aisin AW and Aisin AI to optimize our powertrain business as a whole and handle electrification more efficiently.

The area of automated driving provides many opportunities for us to show our strength, and by focusing our development resources on technology like our vehicle dynamics control, electronically controlled brake system, driver monitoring system, intelligent parking assist system and automated valet parking, we can significantly impact the autonomous future.

Other fields expected to bring major changes to the market are connected cars and sharing services. We are using the latest technology to develop products to meet the needs of shared users such as power sliding doors, smart door safety function, smart seating arrangement and cabin monitoring system.

Through these expansions of our product range, we intend to grow our stake in CASE-related products from 27% market share to approximately 50% market share by fiscal 2024.

We will also welcome outside perspectives in a variety of fields through technical collaborations with partners to rapidly expand into new areas of business.

Reforming our corporate framework to become highly profitable

Changing our business structure to handle CASE will take some time and capital. We will need to reform the structure of our existing businesses to streamline and enhance profitability. This will mean scrapping and building existing businesses and cutting fixed costs to create a lean framework.

We are scrapping business areas and products that are not competitive and for which there are limited prospects for growth such as the recent closure of our sewing machine business, one of our original businesses. We also discontinued our bed business, a company that began over 50 years ago as Toyota Beds. These difficult decisions are evidence our commitment to the future, and we are now turning our attention to any underperforming automotive parts businesses. Future resource creation will focus on the development of our CASE business.

We will approach the cutting of fixed costs from two angles. The first is a reform of our working practices. In addition to making thorough use of IoT and RPA*, we will revise the operations performed by every employee to ensure that no time is wasted on superfluous work. Combined with bold changes to the way we work, we can increase productivity by at least 20%.

The second is a revision of the branch management system that has been behind AISIN Group’s growth thus far, thereby redefining the group’s management for the needs of the future. Subsidiaries and management functions will be merged to eliminate redundant costs and use our resources more efficiently. We will also centralize head office functions such as management and procurement for the group, making these functions stronger and more efficient.

* Robotic Process Automation, a system using a software robot in which high-performance recognition technology such as AI, engines, AI and machine learning is used to automate operations or make them more efficient.

Announcement on October 31, 2019

Management Integration of Aisin Seiki and Aisin AW

October 31, 2019, Aisin Seiki Co., Ltd. (AI) and Aisin AW Co., Ltd. (AW) signed a basic agreement for the management integration of AI and AW.

In order for the AISIN Group to survive the once-in-a-century transformation of the automotive industry, which is ushering in the rapidly developing CASE-related fields and the entrance into the market by companies from other industries, it has become necessary to further strengthen our competitiveness, and to this end, in an effort to strengthen collaboration within the Group and improve management efficiency, the AISIN Group pushed forward with the announcement of the virtual company system in April of 2017.

Although there has been some progress over the past two and half years in collaboration and consolidation of management functions across company boundaries, changes in external business conditions are also accelerating and in order to proceed to a new level of structural reform, a decision was made to carry out an integration of AI and AW in the spirit of a merger on equal footing.

The new company resulting from the AI and AW merger will further accelerate a shift of resources to critical areas, with the objective of creating synergies in both operations and management and strengthen our competitiveness in CASE-related fields.
Medium-term management plan for fiscal 2024

Our medium-term management plan for fiscal 2024 was created based on the initiatives we have described so far. Here we will explain the key points, including our predictions of future market trends.

Growth in the automotive market is tailing off, and where global car sales used to grow every year, they have fallen in 2018 and 2019. As a result, it is expected to take three years longer than planned to reach the target of 13 million units that was set for fiscal 2021 in 2018 for core businesses such as AT, HV transmission and driving modules such as eAxle. We have revised our sales plan to sell 13 million units by FY2024. This is still a challenging target that will require an increase of around 30% on our sales of 9.99 million units in FY2019, but we will tackle this by identifying new demand in emerging countries and expanding our range for HV transmission and electric products such as eAxle. We plan to increase the role of electric products in our sales of driving modules, raising the ratio from 5% in fiscal 2019 to at least 20% in fiscal 2024.

We are also working to further reduce R&D costs and fixed costs (other than depreciation) by reforming our practices in the ways we mentioned earlier and making a strong shift from our previous branch management to our new group-wide management system. Our aim is for these costs to be lower in fiscal 2024 than they are in fiscal 2020.

Though profits decreased in both fiscal 2019 and fiscal 2020, AISIN Group is no stranger to surviving challenging times. By steadily carrying out our two reforms, we aim to achieve an operating profit margin of at least 7% and ROE of at least 12% in fiscal 2024.

Becoming the corporate group that society needs

The global society is holding companies increasingly responsible for their impact – both good and bad – on various social issues. A particularly prominent example is the Sustainable Development Goals (SDGs) set by the United Nations in 2015.

We are responding to this call and working hard to achieve a sustainable society. In May 2019, we established AISIN Group Principles of Corporate Behavior as a guide to fulfilling our social responsibilities, with extensive standards for contributing to sustainable economic growth, identifying solutions to social issues and upholding the rights of all people.

Aisin has always been a company dedicated to meeting social needs, with international cooperation and existing harmony with society and nature as core tenets of our management principles. We selected seven priority issues to focus on as a group and have set long-term targets and KPIs for each issue to strengthen our initiatives to solve these social issues.

Because we have a special responsibility as an automotive company to address the significant strain that vehicles place on the environment, we are working to achieve zero CO2 emissions in the entire life cycle of automobiles by 2050, developing emission-reducing products and introducing innovative new facilities to achieve zero CO2 emissions in our plants.

We also believe that stringent corporate governance is the key to sound economic growth, and we are consistently working to strengthen our governance practices. On April 1, 2019, we reduced the levels and number of operating officers in the group to expedite operations. We also reduced our board of directors from 14 to 9 in June 2019, with external directors now representing over a third of our board. These initiatives will clarify the roles of our management and operating officers and enable more stable, more transparent management.

To all of our stakeholders

Since I was appointed President, I have been changing the way we think by looking outside our existing rules and operations and providing new ideas to make AISIN Group more innovative. My mission is to successfully steer this ship through the biggest sea of change in the automotive industry in the past century of the automotive industry. I am sharing my sense of urgency with all who work in AISIN Group and encouraging them to turn that urgency into energy applied to innovation that lays the foundation for growth over the next 50 to 100 years. In addition to a strong drive for structural reforms in AISIN Group, I will also improve our ESG management so that we can continue to be a company that society needs. You can expect a lot from AISIN Group in the future.
Financial support for structural reform with for medium- to long-term value creation

Makoto Mitsuya  Executive Vice President

Introduction: My role as a financial officer

I began working for Aisin Seiki in 1981, in HR. I became involved in the “meat” of Aisin’s work in 1987, when I was transferred to accounting. In 1993, I transferred to an American production company of ours, where I gained a wide range of experience from business planning to accounting, HR and general affairs. I was made the deputy head of our Accounting Division in January 2002, and have worked my way up the ladder in accounting and finance since. In my current role in finance, I take a medium- to long-term view, working to achieve sustainable growth and improve our value by ensuring that our return on invested capital (ROIC)¹ is greater than our weighted average cost of capital (WACC)². This sustainable growth will be achieved through these key practices. First, we will continue to plant plenty of seeds for the future while building a corporate framework that can cope with change and maintain profitability. The second practice is thorough risk management to prevent crises and minimize damage if a crisis does occur. Finally, our third practice is to carry out strong initiatives for ESG and achieve the SDGs based on Aisin Group’s activities.

¹ An indicator of how efficiently a company is generating profit from the capital invested in its business activities. (Operating profit after income tax ÷ (inventories + property, plants and equipment + intangible assets)

² Weighted Average Cost of Capital (WACC): A weighted average of the costs generated by loans (debt costs) and procurement costs generated by shares (capital stock costs). This is the minimum profitability that the company needs to achieve.

Review of FY2019 and outlook for FY2020

While we achieved record sales in fiscal 2019, our operating profit decreased. Despite actively expanding our business for CASE and powertrains such as AT and increasing investment in development, AT sales were lower than expected in the second half of the year due to factors such as a slowing of the Chinese market and temporary costs required to ensure quality. As we continue to invest in development costs for CASE and the strengthening of our production framework in fiscal 2020, challenges remain in AT Sales, particularly in the Chinese market, and both revenue and profits are expected to be down. The Chinese market still offers a lot of potential and the needs of this market are set to grow in the future, but the impact of issues such as the trade conflict between the USA and China are still of immediate concern.

Our ability to achieve increases in profit in the wake of the 2008 global financial crisis was driven by the expansion of our AT sales. As I mentioned before, this market is changing rapidly and cannot be solely relied upon during our current fiscal challenges. We also must address our stagnated productivity, an increase in our fixed costs and our undeniable dependency on sales to reverse the consecutive decrease in profit over the last two years. We are fully grasping the seriousness of this situation and we are taking the opportunity to make dramatic improvements to our framework in order to survive these once-in-a-century changes.

Basic policies for our medium-term management strategies

Our strategy through fiscal 2024 is to streamline the structure of our company to create a lean company framework, adapt to the age of CASE, and achieve an operating profit margin of at least 7% and return on equity (ROE) of at least 12%.

The indicators of profitability that we will focus on are operating profit on sales, break-even point, ROE of the parent company and return on invested capital (ROIC). Another key focus will be further strengthening our earning power² from the current value of 15-16% to 19-20%.

Growth strategies

In order to stay ahead of the rapid changes in the industry, we need to actively invest in the development of next-generation fields, eliminate waste wherever we can and sharpen our investments. With these principles in mind, we will make a drastic shift in our development investments and management resources to be ready for the dawning age of CASE. We plan to increase our spending on CASE-related development from 27% of our spending to around 50% by fiscal 2024 and increase our CASE-related facilities from 10% to around 40%. We will approach electrification by expanding our range of driving products such as axle and HV transmission and by accelerating our development to provide entire systems and packages. This approach capitalizes on the strengths presented through the wide range of suitable products produced by Aisin Group, such as cooperative regenerative brake systems and other electronically controlled brakes and electric pumps. Sharing is a core facet of today’s MaaS³ society and this is changing the way cars are being used. Cars are being driven for longer periods of time and many different users are riding in them, resulting in completely different needs from what was expected of us in the past. We will accelerate development of our car body parts such as power sliding doors and seats to increase durability, and will create products and services that meet new needs for more comfortable and convenient driving. To make this development happen as quickly as possible, we will seek outside input, actively collaborating with companies, venture businesses and other outside parties.

Strengthening our corporate framework

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Refining our corporate framework
As we accelerate our development of the next generation of products, we need to refine our corporate framework. I want to thoroughly reduce fixed costs and decrease our break-even point to below 80% so that we can survive the major changes that are taking place in the market. To achieve this, we will carry out reforms in each of our businesses, organizations and practices, with “scrap and build” and “shifting from branch management to group-wide management” as our key phrases.

Second bird-build—nothing considered untouchable—will be our basic policy as we reform and eliminate businesses. If it generates a loss or only a marginal profit, it has to go. A standout example of this is the elimination of our sewing machine and bed businesses, which have been a part of AISIN since we were first established. As we have said, nothing is untouchable, and the same will apply to our automotive parts business.

Next, there is the reform and elimination of organizations. Until now, the growth of AISIN Group has been ensured by branch management. However, as the group has expanded substantially, this management method has resulted in a lot of redundancy, waste and inefficiency in our businesses, products and core divisions. To turn this around, we established a Virtual Company (VC) System in 2017 to switch from branch management to group-wide management. We opened group headquarters to facilitate our VC system. This information-sharing format enables us to centralize and standardize our managerial administration divisions and our divisions for each function within the group, and to make effective use of the assets in each VC. We also merged Aisin AW and Aisin in April 2019 to promote these activities.

We plan to spend fiscal 2020 merging, eliminating and streamlining organizations at our numerous sites around the world.

Our reforms and elimination of operations will consist of measures such as joint procurement, distribution and IoT development between the divisions for each of our functions and unification of platforms for operations such as HR and accounting in our managerial administration divisions to streamline and centralize our operations throughout the group. We are also taking stock of all of our operations, focusing on what really needs to be done and making use of AI and RPA to dramatically reduce the time that our work takes. Together with our reforms of our working practices, these measures will increase the overall productivity of our staff divisions by over 20%.

Thorough risk management
Thorough risk management is essential to achieve sustainable growth. This means prevention and limiting of crises during calm periods and taking initial measures in the event of a crisis to minimize damage, prevent secondary disasters and resume normal activities as quickly as possible. We assess risks by examining situations around the world and assessing the severity of a risk and the frequency with which the issue is likely to occur. We then determine the order in which risks should be dealt with and classify our responses into four categories: risk avoidance, risk control, risk shifting and risk retention.

Capital policy
Our core capital policy is to improve the value of our company with a balance between safe finances and efficient use of capital. We approach this balance using capitalization ratio as an index. We believe that this ratio should be around 25% to achieve the ideal capital composition.

We work to ensure the safety of our finances by using evaluations as one of our benchmarks and maintaining a trust rating of AA to Aa for debt on long-term loans to ensure that we are always able to procure outside capital at a low cost.

To use our capital efficiently, we make it a priority to only procure debt capital within the scope that allows us to maintain a high rating, and limit the scale of our capital to reduce our overall capital costs. We have also implemented a cash management system (CMS) to make effective use of our capital policies and the capital in AISIN Group on a consolidated basis.

At present, the ROIC for all of our businesses is around 8%, while the weighted average capital cost (WACC) is 5-6%. Our returns are higher than our procurement costs, which indicates that we have made AISIN valuable as a company, but it is also clear that we need to carry out initiatives to further increase our returns. To accomplish this, we need to actively work on strengthening our corporate framework in the way that I mentioned earlier.

In terms of our return to shareholders, we have been able to achieve steady dividends with a dividend payout ratio of around 30%. We will continue to keep our capitalization ratio and future investment trends at the forefront of our minds, and are considering share buy-back.

Changes in Capitalization Ratio
Capitalization ratio = (interest-bearing debt)/(interest-bearing debt + stock capital)

Closing: To all of our stakeholders
In order to come out on top and surive the biggest period of change in 100 years, we must carry out structural reforms to handle the shift to CASE and make our corporate framework leaner. At the same time, it is essential to coexist harmoniously with the environment and society and share our prosperity with the world. The values in our corporate principles—“Enhanced Value Creation”, “Continuous Global Harmony”, “Society and Nature” and “Individual Gratitude and Initiative”—fit very neatly with the Sustainable Development Goals (SDGs) that are currently in the spotlight. AISIN Group has always been aware that each and every one of us is responsible for building a relationship of trust with society at large through our corporate activities. “Be with” is our slogan as we work to protect the natural environment, nurture young people and contribute to the development of communities around the world. With globalization and increasing diversity exposing us to more new values, cultures, customs and situations than ever before, we need to pay even more attention to society and the people we interact with. In the mid-Edo period (the Edo period as a whole lasted from 1603 to 1868), people had a custom called kasa-kashige (offering an umbrella). Any time two people passed each other on a rainy day, they would move their umbrellas out of each other’s way. People were conscious of giving way to each other a little so that they did not bump into others. They knew how to coexist, and this is the mindset that we need to adopt now. While we are of course seeking to grow our company through our business activities, we also keep our corporate principles as the forefront of our mind and carry out ongoing activities to ensure that we are growing together with our shareholders, investors and all of our other stakeholders.

Changes in dividends
Changes in dividends
AISIN Group’s value creation process

AISIN Group identifies priority issues to tackle social issues through our business practices. “Quality First” is our basic philosophy as we apply the strengths we have developed in everything we do. We supply a wide range of products and services in areas such as automotive parts, energy and homes. AISIN Group works to provide value to society, increase our value as a company and maintain the trust of our stakeholders, but we’re also thinking bigger than that: we are contributing to the accomplishment of many of the UN’s Sustainable Development Goals.

Corporate principles
Based on “Quality First”
1. Enhanced Value Creation
2. Continuous Global Growth
3. Harmony with Society and Nature
4. Individual Creativity and Initiative

Social issues
- Climate change
- Precipitation
- Accidents and disasters
- Health problems
- Growing social inequality
- Depletion of resources
- Urbanization
- Environmental pollution

AISIN WAY
1. Enhanced Value Creation
2. Continuous Global Growth
3. Harmony with Society and Nature
4. Individual Creativity and Initiative

AISIN Group Principles of Corporate Behavior

Products and services

Automotive parts
- Powertrains
- Electronic controlled systems
- Electronic 4-wheel drive unit
- Electric 4-wheel drive
- Hybrid transmission

Body
- Shower
- Slide door
- Car seat
- Sun roof

Chassis & Vehicle Safety Systems
- Sensors
- Electronic control unit

ICT & Electronics
- Car navigation system
- Intelligent parking assist system

Aftermarket
- Sensing systems
- Youth products

Energy and homes
- Shower toilet
- Shower
- Waste disposer

Products and services

Communication
- Home network systems

Providing value to society
Outcomes

Shareholders and investors
- Dividends: ¥150
- Aggregate market value: ¥1,065.8 billion

Customers
- We supply products to reduce traffic accidents
- Our products are user-friendly and ensure our customers’ comfort
- Each product is evaluated for quality you can count on

Suppliers
- We strive to coexist harmoniously with our suppliers and share our prosperity

Employees
- We make AISIN a fulfilling place for our employees to work
- We promote diversity and inclusivity
- We enable our employees to have a better work-life balance
- We promote physical and mental health

Local communities
- We work on advances in mobility societies to improve safety
- We contribute to local economies
- We contribute to the development of local communities and the training of young people in those communities

Environment
- We work on popularizing electric products to reduce CO2 emissions
- Through resource recycling procedures are in place to reduce waste
- We are contributing to the conservation of biodiversity
Identifying priority issues

Since its establishment, AISIN Group has adhered to the corporate principle of “Quality First”, and has sought to offer appealing products that meet customers’ needs. Furthermore, upholding our corporate principles of “Contributing to the advancement of society” and “Harmony with society and nature”, the Group promotes corporate behavior that helps create a sustainable society.

The values and initiatives of AISIN Group dovetail neatly with the Sustainable Development Goals (SDGs) that were put into effect by the United Nations in January 2016, and we are confident that our business activities will continue to contribute to the accomplishment of the SDGs for decades to come.

We have chosen priority issues to focus on as we accelerate our initiatives in this area.

Process to identify priority issues

- **Step 1: Identifying issues**
  - Identify issues that are related to AISIN Group’s business and supply chain on the 17 SDGs and 169 targets.

- **Step 2: Prioritizing issues**
  - Issues are prioritized based on the expectations and requests of stakeholders and importance to the Group, and a “priority matrix” is created (see below).

- **Step 3: Validity check**
  - Discussions by Group top management and related executives.
  - Opinion exchanges among external experts, external Directors, and external experts. Management and related experts.

- **Step 4: Approval at the management level**
  - To approve priority issues based on opinions from external experts.

Priority issues selected by AISIN Group

**Relevant SDGs**

- [Goal 3] Good health and well-being
- [Goal 4] Quality education
- [Goal 5] Gender equality
- [Goal 6] Clean water and sanitation
- [Goal 7] Affordable and clean energy
- [Goal 8] Decent work and economic growth
- [Goal 9] Industry, innovation and infrastructure
- [Goal 10] Reduce inequalities
- [Goal 11] Sustainable cities and communities
- [Goal 12] Responsible consumption and production
- [Goal 13] Climate action

**Priority item (materiality item)**

- Global warming control
- Prevention of traffic accidents
- Providing safe means of movement/transportation
- Promotion of transition to clean energy
- Promotion of health and welfare
- Promoting sustainable industrialization by technological innovation
- Preventing contamination, reducing substances of concern, resources circulation, and enhancement of resource efficiency
- Health and labor safety sanitation, protection of human rights, promotion of diversification, work style reforms, and work and life balance
- Sustainable procurement
- Promotion of transition to clean energy
- Promotion of health and welfare
- Promoting sustainable industrialization by technological innovation
- Preventing contamination, reducing substances of concern, resources circulation, and enhancement of resource efficiency
- Health and labor safety sanitation, protection of human rights, promotion of diversification, work style reforms, and work and life balance
- Sustainable procurement

**Division responsible and ideal situation**

- **Automotive parts business**
  - Contributing to creating a society where more people live happily and promote sustainable industrialization by technological innovation.
  - Working to reduce environmental burdens by promoting efforts to enhance resource utilization.

- **Energy- and lifestyle-related products business**
  - Contributing to creating a society where more people live happily and promote sustainable industrialization by technological innovation.
  - Working to reduce environmental burdens by promoting efforts to enhance resource utilization.

- **Common to all business**
  - Contributing to creating a society where more people live happily and promote sustainable industrialization by technological innovation.
  - Working to reduce environmental burdens by promoting efforts to enhance resource utilization.

For more details, see our website: [https://www.aisin.com/csr/aisin-group/materiality/](https://www.aisin.com/csr/aisin-group/materiality/)
Our Virtual Company (VC) System has provided the guidelines for our next generation of growth and take on the global automotive market as a cohesive group.

In April 2017, AISIN Group introduced a Virtual Company (VC) System to improve efficiency and centralize our businesses, two things that are greatly needed as we work to develop the next generation of technology and products.

In recent years, the automotive industry has seen a dramatic rise in CASE, with electrification prompted by stronger environmental regulations and advances in automated driving. Between this and an influx of companies from other industries such as IT and electrical devices, the very structure of the automotive industry is undergoing the biggest changes in 100 years.

To survive and thrive during this period of change, we have centralized AISIN Group’s business into five VCs—Powertrain, Chassis & Vehicle Safety System, Body, ICT & Electronics and Aftermarket—in AISIN Group’s headquarters. This will make the group more competitive than before. Other forward-looking initiatives include bold moves to swap and build with nothing considered sacred, and finding guidelines for the next generation of growth.

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AISIN GROUP REPORT 2019

Centralizing and sharing group resources to give us a competitive edge

Kazuisa Ozaki President, Powertrain VC

Overview of business
Boasting the largest range of transmission products in the industry, our Powertrain VC covers vehicles from compact cars to standard cars, small and medium trucks, buses and industrial vehicles, supplying automotive manufacturers around the world with advanced products and technology. We also produce functional parts and cast parts peripheral to the engine, and we draw on this technical expertise to develop technology to improve fuel consumption, make exhaust gases cleaner and improve the performance of engines.

Main products

1-motor hybrid transmission
A hybrid transmission with a motor and engine cutout clutch array installed in the torque converter section of the existing automatic transmission. Fuel economy is improved significantly with electric drive, and motor output is added to the engine to achieve powerful startup and acceleration.

Electric 4WD unit
This unit generates force for the electric 4WD system that drives the rear wheels with a motor. This contributes to safe driving on slippery surfaces such as snowy roads.

Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,186.7</td>
</tr>
<tr>
<td>2019</td>
<td>2,253.9</td>
</tr>
</tbody>
</table>

Improving efficiency and centralizing the business for a greater competitive edge

Our powertrain products such as engines and transmissions are an enormous business, currently accounting for around 60% of the group’s sales. AISIN Group as a whole works together on activities for this business to achieve cohesion and smooth decision-making, with two main goals in mind: improving efficiency and centralizing the business, and keeping up with electrification. Our VC system has been a major stride toward improving efficiency and centralizing the business, in both the production and development spheres. The most pressing issue we are facing in the production arm of this business is the need to change the structure of the business as manual transmission (MT) becomes less widely used and the industry moves toward automation and electrification. We have prepared for these changes at Tangshan Aisin Gear in China and the Kira Plant of what used to be Aisin AI (Nishio City, Aichi Prefecture) by condensing the MT production lines and repurposing the remaining lines for automatic transmissions (AT). As part of this optimization of our resources, we combined Aisin AI, a specialist MT manufacturer, and Aisin-AIV, a top AT manufacturer, as one specialist powertrain company in April 2019. This enables us to make all-in-one decisions about which methods will be best for the group as a whole.

Our aim is to handle all aspects of our business to achieve cohesion and smooth decision-making, and to keep up with electrification. We plan to repurpose many of our MT production facilities low as transmission production shifts from AT to 1-motor HV transmissions due to electrification. We are also working to create and market an electric drive module series called eAxle\(^1\), which can be customized to suit each model of car and each customer’s needs. We are currently developing the second generation of this series, with a successive product plan aiming to create compact, high-output motors.

In April 2019, we established BluE Nexus jointly with DENSO. We aim to make BluE Nexus the world’s number one supplier of electric products, and are working to further popularize our electric drive modules through this joint venture.

Our initiatives to expand our sales, including conformance\(^2\) of our electric products will enable us to meet the CAFE regulations for fuel consumption and electric vehicle regulations such as NEV and ZEV, and our development of these products will contribute to environmental conservation.

Working toward a stronger global development and supply framework

Our plans for the future are to expand our overseas production sites, primarily in North America and China, to handle the rise of electrification and hybrid vehicles. We will launch a new site for transmissions in North America. China has an increasing number of business opportunities to offer due to national policies to promote electrification. We are planning to shift from AT to HV transmissions to meet the needs of electric vehicles and improve the production capacity of our new electric products line. We are also switching to local procurement for the benefit of the communities where we operate.

All of these activities will be driven by the same “Quality First” mindset that lies at the heart of our corporate principles. The powertrain is an important component that is directly responsible for the feel of a car when driving and the car’s general appeal. This calls for a high level of quality in every powertrain we produce. As products and technology become more and more advanced, it is important to pay close attention to quality and make sure a high level of quality is maintained. We will continue to carry out a wide range of initiatives to achieve that quality, looking at things through our customers’ eyes.

\(^{1}\) eAxle is a BluE Nexus product.
\(^{2}\) A development process to verify that the product will meet each customer’s needs and optimize control.

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Strengthening our initiatives in electrification and automated driving for the age of CASE

Kiyotaka Ise President, Chassis & Vehicle Safety System VC

Overview of business
This business mainly develops and produces products such as brakes, steering and suspension—the components behind basic functions of a car such as driving, turning and stopping. We combine these products with a variety of control technology to provide systems that will contribute to safer driving societies and eventually eliminate traffic accidents. We also develop technology to make driving more enjoyable and improve the feel when driving and other facets of comfort.

Main products
- Electronically controlled brake system
  Vehicles such as hybrids have a control system that combines hydraulic brake power and regenerative brake power recovered by the motor, and controls the recovery of driving energy during deceleration to ensure that it is as efficient as possible. Improving the hydraulic responsiveness gives the brakes a smooth feel and expands the energy recovery range, improving fuel consumption.
- Parking assist systems
  Our parking assist systems use ultrasonic sensors and cameras to detect parking spaces. First, the system sets the target parking position automatically. Next, self-operation of the steering wheel is activated by flipping a switch, making it safe and easy to back into a parking space or parallel park while detecting obstacles.

Electronically controlled brake system

Strengthening our development and production framework for electric products
Our Chassis & Vehicle Safety System VC is working to handle the global rise of CASE, particularly electrification and automated driving.

Our focus for electrification is on strengthening our development and production frameworks for areas where growth is expected in the future, such as electronically controlled brake systems and electric parking brakes.

To strengthen our development framework, we are scrapping and consolidating existing products for greater efficiency. To give a specific example, we have scrapped Aisin Seiki’s chassis-related products. The personnel who used to work on these products now develop electronically controlled brakes for ADVICS. The development of our basic brakes (disc brakes, drum brakes, etc.) is now done entirely by ADVICS, instead of jointly by ADVICS and Hosei Brake Industries, to improve efficiency. The remaining personnel now develop electric parking brakes.

Our production framework has been strengthened by expanding our ADVICS Handa Plant by 61,600m² to 106,000m² in anticipation of an increase in demand for electronically controlled brake systems and electronic stability control (ESC), an essential component for automated driving. The expansion was completed in March 2019. In May 2019, we completed features such as a truck yard for efficient delivery, and we have successively reorganized our existing production lines and opened new ones.

Hosei Brake Industries became a subsidiary of ADVICS instead of Aisin Seiki in February 2018 to strengthen the management base of our brake business. This move will further strengthen the three companies responsible for our brake business (ADVICS, Hosei Brake Industries and AS Brake Systems) and accelerate our initiatives to build an efficient production framework.

Strengthening our development of the next generation of products for automated driving
Our Chassis & Vehicle Safety System VC is putting its development knowledge for components such as chassis and brakes to a new use in the development of automated driving technology.

In 2003, we were the first in the world to release low-speed automated driving technology centering on automated parking, and we are working on more innovations to follow it. In our current development of automated valet parking, we are working together with parking area providers on a proof of concept for automated valet parking designed for car sharing in standard parking areas. With this service, we are aiming to provide an autonomous, automated version of valet parking. Slated for release in 2020, our system will automatically drive through a large, unstaffed parking area and park in an available space.

Around 30% of car accidents in Japan reportedly occur in parking areas. We are working to have our automated valet parking system ready for practical use as soon as possible to help reduce accidents in parking areas.

In April 2019, we established J-QuAD Dynamics, a joint company that brings together the strengths of Aisin Seiki, ADVICS, JTEXT and DENSE to develop control software for automated driving and vehicle dynamics control. This company will play a central role in our future development work for technology such as vehicle dynamics control systems as Aisin Group works to develop driver monitoring systems, onboard monitoring systems and vehicle dynamics control.

To make our development of automated driving technology happen as quickly as possible, we will seek outside input, actively collaborating with outside parties. For example, we have accelerated our development of AI technology by working with Tri-AD (Toyota Research Institute Advanced Development) in the Toyota Group. In our development of compression technology for recognition software, we are sharing capital and working on joint operations with Idein, a startup company that is strong in AI model design and has technology for mass produced microcomputers, to further strengthen our technology development base.

We plan to continue our development of brake and chassis products for CASE and propose uses for them in systems to sharpen our competitive edge, increase our revenue and help to make driving societies safer.
Centralizing our resources in growth areas and leading the age of CASE with our system products

Masahiro Nishikawa President, Body VC

Overview of business
The Body VC develops and produces components of vehicle bodies such as door components, seat components and sunroofs. Vehicle bodies are the parts of a car that the user will look at and touch directly, so in addition to functionality such as comfort, user-friendliness and safety, we work to make the components lighter with a more appealing design. We are also developing new services using vehicle body products to meet users’ increasingly wide-ranging needs.

Main products

Power sliding door system
The drive unit is built into the sliding door or floor, providing more space inside the car. The doors can be opened and closed automatically by operating a remote control. The power sliding door system has a safety feature that detects any obstructions such as fingers when the door is closing and automatically reopens the door. This system is utilized in a wide range of cars in Japan, including compact cars, minivans and station wagons.

Pneumatic seat
Our pneumatic seat system uses air bladders, a pump and a valve to provide adjustable support for various driving positions. It enables the driver to sit with a natural, comfortable posture, and provides a pleasant, refreshing massage.

Improving primary units through “best mix” activities
Our Body VC began when Shiroki Corporation merged with Aisin Seiki in 2016. Formerly competitors, the two Japanese companies merged to form a united front in the face of global competition. The creation of our VC system has strengthened communication further. Our work in this VC centers on “best mix” activities. In addition to combining each party’s best practices for our conventional production lines, we incorporate the strengths of Aisin Seiki and Shiroki Corporation in our creation of new production lines for the new products we develop, achieving steady improvement of each of our primary units. These activities have had effects such as lower costs and significantly more efficient production, but the production framework within AISIN Group remains an issue. There are currently 47 domestic and overseas sites in the Body VC. In the last three years, we have almost completed our work to eliminate redundancy in the products produced at these sites. Our aim for the future is to improve efficiency worldwide through measures such as ensuring that sites in the same region complement each other, and condensing sites and setting up lines for next-generation products in the remaining space.

Distinguishing ourselves by focusing on system products
We will need to centralize our personnel in growth areas of our development arm. We are shifting around 10% each year, and are expecting to complete over 50% of this process in 2020. For particularly high-demand products such as our power sliding door system and sunroofs, we are working to create a cohesive data-based system for our procedures from development to pre-production by revising our operation procedures so that development and production technology are developed simultaneously, with the aim of improving development efficiency by at least 30%. At the same time, we are launching project to improve efficiency by breaking down the walls between processes. We are re-examining our operational procedures, examining how elements such as systems, data and CAE can be synchronized and using a flow chart to check for redundancy and determine which stages of our workflow can be connected to speed processes up.

Our products vary widely from functional products such as door latches and handles to system products such as power sliding doors. The VC as a whole plans to focus on system products, eliminating redundancies in Shiroki Corporation and Aisin Sin’iti’s products. The entire VC is working to build on our expertise and knowledge about the development of these systems. Comprising six companies, including raw material companies Aisin Takaoka, Aisin Chemical and Aisin Kirinonzeki, the VC handles the entire development process, starting with raw materials and then combining components in systems and selling those systems as products. We wholeheartedly believe that supplying whole systems is a strength of ours, and this is a mindset that the whole VC brings to its work.

In the age of CASE, usage of cars is expected to shift from ownership to sharing. We see potential for systems such as our power sliding door systems in this new field, and see it as our mission to provide outstanding products. We are thinking forward to the age of CASE and Maas and aiming to quickly launch advanced products, such as a sliding door system that opens automatically and deploys a ramp to improve accessibility for people with disabilities. Our sales operations have also been improved with the introduction of the VC system, as the sales routes of each company can be combined effectively. In addition to each company bringing its own customer base, we have gained more new customers since the companies began working together, and we are working to increase our sales even further.

Now that the companies have joined forces in this VC, they work quickly and cohesively. We are also collaborating with other VCs. We will need to keep working together with other organizations, particularly the ECU Division of our ICT & Electronics VC, to meet customers’ needs for services such as hospitality services in tomorrow’s driving society. This will require us to cooperate with organizations such as our technical division even more quickly than before. In the future, we aim to consolidate our businesses to sharpen our competitive edge and adapt to the changes that we are seeing in automobiles today.

* Computer Aided Engineering. A product design process where a computer is used to simulate usage of the product and verify that no issues will occur in its performance.
ICT & Electronics VC

Incorporating ICT and electronics into other businesses to achieve group-wide optimization

Overview of business
The ICT & Electronics VC creates more functional, more accurate products using ICT, electronics technology and the latest technology brought about by advances in information infrastructure. This develops ECUs and sensors for all of the fields we work in, including Powertrain, Chassis & Vehicle Safety System and Body, to provide a comfortable driving experience. We have the top share in the world’s car navigation system market.

Main products

Car navigation with a smart eco-drive function
This car navigation system predicts information on the roads ahead and provides hybrid systems with information allowing it to charge and discharge the battery efficiently, improving fuel consumption in hybrid vehicles. This system achieves highly environmentally friendly driving without requiring any awareness from the driver.

ECUs
Sensors

Repurposing resources and combining operations to take our development to the next level
All of AISIN Group’s wide-ranging businesses are closely linked to the ICT and electronics fields, and this work is part of the activities of every business in the group. After the introduction of the VC system, our ICT and electronics personnel work together, looking at all of our businesses and identifying directions to be taken and fields to be strengthened. This VC is repurposing resources for our strong businesses and combining development of our fundamental technologies. In software development, for example, we are working to create common parts and design structures for our product software and standardize software throughout the group to make development more efficient and maximize the benefits of each product. We are also standardizing our functional safety and security processes. To strengthen these activities and increase speed, we will merge two of AISIN Group’s software companies in October 2019. We are carrying out similar initiatives in our production of electronic products and our procurement of electronic parts, incorporating the best practices of each company and the fields where each company is strong to perform more aggressively in these areas than ever before.

We are also repurposing our resources to the areas where they are most needed, such as the development of new sensors for hospitality services and electric powertrains, the creation of platforms using position information gathered in the development of our navigation systems and development of services using those platforms. In our future development work, we plan to realign 50-60% of our development personnel to next-generation work such as the strengthening of our CASE products by around fiscal 2024. We will adopt a new framework for this. We are also carrying out initiatives to integrate the ECU development that had previously been carried out separately in each business as we embark on development for the products of the future. Our work for our overseas sites will address redundancies and inadequate areas in our production work. We are building an efficient development and production system where our sites and resources complement each other.

Becoming a pioneer in new businesses for the “C” and “S” of CASE
The C and S of CASE (Connected and Shared/Service) are crucial technology development trends for our ICT & Electronics VC. With an influx of IT manufacturing giants into the automotive industry, it is crucial for us to restructure our businesses to play to our strengths. Our strengths lie in high-precision position information gained for our navigation systems and controls that combine a wide range of automotive systems and data. We will bring together these elements of information and controls to add more value to AISIN Group’s vehicle and information systems, hardware and actuators. For example, the navigator with a smart eco-drive function that is installed in the Lexus UX plays Lexus’ strengths in high-precision position prediction technology and map information, using daily driving history and data along with information on traffic on the roads to predict the road and driving conditions so that users can conserve fuel while driving. We are also considering a service business that provides logistics support for delivery companies, and are collecting and analyzing information such as position and vehicle information to provide a system that creates driving plans according to real-time conditions and detects sources of delays. A proof of concept is underway to resolve delay issues and ensure that the driving plans created are realistic.

We also need to actively pursue fundamental electronic technologies that will be needed in the future, adopting outside resources through means such as joint operations to incorporate the necessary technology faster. We believe that it will be particularly crucial to strengthen our sensor technology, as this will be the backbone of connected technology. Our main areas so far have been speed sensors using magnetism, distortion and capacitance, occupant weight sensors and sensors for smart steering wheels. With the arrival of cars that connect to the cloud and the rise of electric vehicles, we will take our sensor development in new directions, working with outside parties on some initiatives. The increasing use of shared cars is also posing different challenges from personal cars when it comes to the mileage and life of cars. We will need to explore a wide range of new areas such as sensors that can detect imminent breakdowns or identify characteristics based on the needs of the people in the car.

The adaptability of the ICT & Electronics VC will be useful for cross-sectional activities throughout the group, helping us to form collaborations with other VCs. We are aiming to create new platforms for the future that will utilize our strength in position information, and then turn services with those platforms into new businesses. We will thoroughly incorporate our fundamental electronic technologies into our core components—Powertrain, Chassis & Vehicle Safety System and Body—to increase the appeal of our products.
Aftermarket VC

Capitalizing on the product development and quick decision making made possible by the VC system as we enter the age of ride sharing

Overview of business

We make use of our strengths as a Tier One automotive supplier to provide a wide range of Aftermarket parts such as clutches, water pumps and car accessories such as door stabilizers and motion control beams to the global market. We are building a framework to keep up with market needs and bring together the expertise of our headquarters and overseas sites to create strong product plans.

Main products

Aftermarket parts such as clutches, brake pads, pistons and accessories such as door stabilizers. The market for Aftermarket parts still has room to grow worldwide, and we have not yet tapped its full potential. And with sharing, one of the items in CASE, becoming common, there will be more opportunities for our aftermarket business in the future. To achieve our potential in this area, we established our Aftermarket VC in August 2018 to strengthen our aftermarket business around the world.

Our Aftermarket business supplies parts to garages for maintenance and repairs, and in recent years our range has grown to include accessories that can be installed. The latter are also known as before-market products, and can be installed in a new car at the time of purchase. Until now, our aftermarket business has mainly consisted of replacement parts for repairs of new vehicles, but we will need to turn more of our attention to accessories in future. We are now selling parts such as high-performance rear view cameras and door stabilizers to improve the driving performance of vehicles. These products are all marked with the AISIN logo to boost recognition of our brand among users and the market at large. We have also begun selling to overseas markets such as ASEAN countries, where motorization is growing, and are working to increase brand recognition further. Aisin Seiki and ADVICS have sites in four overseas locations: North America, ASEAN, China and Europe. In 2010, we opened a branch in Dubai as a base for re-exports to Africa, and in recent years we have opened new offices in Pakistan and Myanmar. We have also begun building a framework for effective use of our overseas bases. We began collaborating with a local dealership in Thailand in March 2018, and opened dealerships of our own in Shanghai and Panama in April and June 2019, respectively.

Achieving growth with a wide product range and quick product planning

Our Aftermarket VC handles the items that are needed after a vehicle is sold, including repair parts such as clutches, brake pads, pistons and accessories such as door stabilizers. The market for Aftermarket parts still has room to grow worldwide, and we have not yet tapped its full potential. And with sharing, one of the items in CASE, becoming common, there will be more opportunities for our aftermarket business in the future. To achieve our potential in this area, we established our Aftermarket VC in August 2018 to strengthen our aftermarket business around the world.

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Another pressing order of business is to determine the kind of revenue model that the Aftermarket VC needs to build for the ride sharing that is slated to become a full-scale market by around 2025. One thing that is clear is that if car sharing becomes common, these shared vehicles will be used more often than a privately owned vehicle. Some business operators prefer parts that minimize downtime (the time during which a vehicle is out of operation for repairs or maintenance) while others prioritize low-cost parts due to low labor costs. To handle the rise of sharing, it will be important to build on our product range to meet both types of customers’ needs and develop a strong framework to get those products into these customers’ fleets. We will also need to lower operating costs by doing as much locally as possible. We are currently assessing the types of replacement parts we need to develop and supply to facilities that specialize in the repair of shared cars. We have opened numerous local sites and have begun conducting market research.

Our VC system enables us to make decisions more quickly. We are working to make the most of this new system and achieve aftermarket part sales on the same level as general part manufacturers in North America and Europe. We aim to double our sales for FY2019 and achieve sales of ¥100 billion in FY2023, and then grow those sales to ¥200 billion in FY2031.

Strengthening our brand for all Aftermarket products, from consumables to electric products and accessories

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Directors
1. Chairman
   Kanshiro Toyoda
2. President
   Kiyotaka Ise
3. Executive Vice President
   Makoto Mitsuya
4. Executive Vice President
   Toshiyuki Mizushima
5. Director
   Kazuhisa Ozaki
6. Director
   Tetsuya Otake
7. Director
   Toshio Kobayashi
8. Director*
   Tsunekazu Haraguchi
9. Director*
   Michiyo Hamada
10. Standing auditor
    Toshikazu Nagura
11. Standing auditor
    Masayoshi Hotta
12. Auditor
    Mitsuhisa Kato
13. Auditor
    Ryo Kobayashi
14. Auditor
    Hikaru Takasu

* Outside board member under Japanese corporate law
Audit and supervisory board members

Director

Kanshiro Toyota, President

- April 1965: Began working for Toyota Industries Corporation
- June 1979: Became director of Aisin Seiki
- June 1983: Became executive vice president of Aisin Seiki
- June 1985: Became managing director of Aisin Seiki
- June 1986: Became executive vice president of Aisin Seiki
- June 1995: Became president of Aisin Seiki
- June 2005: Assumed current role as chairman of Aisin Seiki

Reason for appointment
Mr. Toyota has many years of experience in leadership roles at Aisin Seiki and our group companies in Japan and overseas, serving as president before assuming his current role as chairman. His extensive management experience has equipped him with a wide range of insights into how Aisin Seiki can thrive.

Kiyotaka Ise, President

- April 1985: Began working for Toyota Motor Corporation
- June 2007: Became executive vice president of Toyota Motor Corporation
- April 2013: Became managing officer of Toyota Motor Corporation
- April 2013: Assumed current role as president of Toyota Motor Corporation
- June 2013: Became director of Toyota Motor Corporation
- June 2013: Became external auditor of Toyota Motor Corporation
- January 2018: Became vice president and executive officer of Aisin Seiki
- June 2018: Assumed current role as president of Aisin Seiki

Reason for appointment
Mr. Ise has extensive management experience and insights gained through his work as the Chief Safety Technology Officer, managing officer and president of an advanced technology development company in the Toyota Group, as well as his work as the president of Aisin Seiki from 2018.

Makoto Mitsuya, Executive Vice President

- April 1981: Began working for Aisin Seiki
- June 2005: Became executive officer of Aisin Seiki
- June 2008: Became managing director of Aisin Seiki
- June 2012: Became director and managing officer of Aisin Seiki
- June 2013: Assumed current role as executive vice president of Aisin Seiki

Reason for appointment
Mr. Mitsuya has extensive experience in our management divisions, including our overseas companies, and has extensive management experience and insights as a result of his appointment as our director in 2009 and his current work as executive vice president from 2013.

Executive officers

Toshiyuki Mizushima, Executive Vice President

- May 1988: Began working for Toyota Industries Corporation
- June 2005: Became executive officer of Aisin Seiki
- June 2009: Became managing officer of Aisin Seiki
- June 2012: Became executive officer of Aisin Seiki
- June 2014: Became executive vice president of Aisin Seiki
- June 2015: Became director of Aisin Seiki and managing officer of Toyota Motor Corporation
- January 2018: Became vice president and executive officer of Aisin Seiki
- June 2018: Assumed current role as executive vice president of Aisin Seiki

Reason for appointment
After serving as executive officer, managing officer and director of Aisin Seiki, Mr. Mizushima became executive vice president in 2014 before being appointed as a managing officer of Toyota Motor Corporation and the president of a partnership company in the Toyota Group. He assumed his current role as executive vice president of Aisin Seiki in 2018, bringing a wide range of experience and insights in management.

Kazuhisa Ozaki, Director

- April 1986: Began working for Aisin-Motoway, Co., Ltd.
- June 1993: Became director of Aisin-AW Co., Ltd.
- June 2006: Became director of Aisin-AW Co., Ltd.
- June 2013: Became director and managing officer of Aisin-AW Co., Ltd.
- June 2015: Became director of Aisin-AW Co., Ltd.
- June 2015: Became managing officer of Aisin-AW Co., Ltd.
- June 2016: Assumed current role as director of Aisin-AW Co., Ltd.
- June 2017: Assumed current role as president of Aisin-AW Co., Ltd.

Reason for appointment
As the president of Aisin-AW Co., Ltd., a subsidiary of Aisin Seiki, Mr. Ozaki is closely involved in our management and possesses extensive experience in technical development of automatic transmissions, one of the mainstays of Aisin Group. He also possesses extensive management experience and insights after being appointed as a director of Aisin Seiki in 2015 and president of our Powertrain VC in 2017.

Tetsuya Otake, Director

- April 1993: Began working for Toyota Motor Corporation
- April 2013: Became executive officer of Toyota Motor Corporation
- April 2013: Became managing officer of Toyota Motor Corporation
- January 2016: Assumed current role as president of ADVICS Co., Ltd.

Reason for appointment
Mr. Otake combines extensive experience from Toyota Motor Corporation, particularly in management roles, with extensive experience and insights gained through his role as the president of ADVICS Co., Ltd., a subsidiary of Aisin Seiki, from January 2018.

Toshio Kobayashi, Director

- July 1986: Became professor of the Institute of Industrial Science, University of Tokyo
- July 1996: Became president of the Center for Collaborative Research, University of Tokyo
- July 2000: Became professor of the Institute of Industrial Science, University of Tokyo
- May 2003: Became Vice Chairman and Director of Japan Automobile Research Institute
- June 2005: Became professor of the University of Tokyo
- April 2012: Became President and Director of Japan Automobile Research Institute
- October 2013: Assumed current role as Chief Advisor of Japan Automobile Research Institute
- June 2014: Assumed current role as director of Aisin Seiki

Reason for appointment
Mr. Kobayashi has specialized expertise in mechanical and calculation engineering and a wide range of experience through his work in roles such as professor at the Institute of Industrial Science, University of Tokyo, and Chairman and Director of Japan Automobile Research Institute.

Michiyao Hamada, Director

- January 1986: Became associate professor in Nagoya University’s School of Law
- April 1998: Became professor in Nagoya University’s School of Law
- April 1998: Became professor in Nagoya University’s Graduate School of Law
- June 2004: Became auditor for Aisin Seiki
- April 2008: Became dean of Aisin University’s Graduate School of Law
- June 2013: Became president of ADVICS, Ltd.
- June 2014: Assumed current role as standing auditor of Aisin Seiki

Reason for appointment
Mr. Hamada has extensive management experience and a wide range of experience in areas such as Professor in Nagoya University’s School of Law and a member of the Japan Fair Trade Commission.

Toshikazu Nagura, General Auditor

- April 1980: Began working for Aisin Seiki
- June 2001: Became director of Aisin Seiki
- June 2005: Became executive officer of Aisin Seiki
- June 2007: Became managing director of Aisin Seiki
- June 2011: Became executive vice president of Aisin Seiki
- June 2016: Assumed current role as standing auditor of Aisin Seiki

Reason for appointment
Mr. Nagura has extensive experience and insights as a result of his work as a standing auditor at ADVICS Co., Ltd., a subsidiary, and then a standing auditor of Aisin Seiki from 2012 onward.

Masayoshi Hotta, Corporate Auditor

- April 1978: Began working for Aisin Seiki
- June 2008: Became standing auditor of ADVICS Co., Ltd.
- June 2012: Assumed current role as standing auditor of Aisin Seiki

Reason for appointment
Mr. Hotta has extensive experience and insights as a result of his work as a standing auditor at ADVICS Co., Ltd., a subsidiary, and then a standing auditor of Aisin Seiki from 2012 onward.

Mitsuhisa Kato, Corporate Auditor

- April 1975: Began working for Toyota Motor Industries Corporation
- June 2004: Became executive officer of Toyota Motor Corporation
- June 2006: Became president of Toyota Technocraft Co., Ltd.
- June 2010: Became executive officer of Toyota Motor Corporation
- June 2011: Became managing officer of Toyota Motor Corporation
- June 2012: Became executive vice president of Toyota Motor Corporation
- June 2013: Became executive vice president of Toyota Motor Corporation
- April 2015: Assumed current role as COO of Genex Research Institute, Inc.
- June 2015: Assumed current role as external auditor of Aisin Seiki
- June 2015: Assumed current role as external auditor of Toyota Industries Corporation
- April 2016: Assumed current role as chairperson of Toyota Central R&D Labs, Inc.
- June 2017: Became director of Toyota Motor Corporation

Reason for appointment
Mr. Kato has extensive experience and insights as a manager through his work at companies such as Toyota Technocraft Co., Ltd., Toyota Motor Corporation and Toyota Central R&D Labs, Inc.

Audit and supervisory board members

Ryo Kobayashi, Auditor

- April 1980: Began working for Toyota University’s School of Law
- June 1986: Became professor in Toyota University’s School of Law
- June 1989: Assumed current role as external auditor of Aisin Seiki

Reason for appointment
Mr. Kobayashi has specialized knowledge and a high level of expertise in law as a result of his experience in roles such as Professor at Nagoya University’s School of Law.

Hikaru Takasu, Auditor...
Revising our Principles of Corporate Behavior

The global community is currently calling for specific action to solve environmental and social issues, and companies are being urged to work toward targets such as the United Nations’ Sustainable Development Goals (SDGs) to build a sustainable society. AISIN Group revised its Principles of Corporate Behavior in May 2019 to be more in line with these requirements. Points such as contributing to sustainable economic growth and solutions to social issues and upholding the rights of all people are now clearly indicated, and the principles and standards for conduct outlined in our Charter of Corporate Behavior are now thoroughly communicated to all AISIN Group employees, both in Japan and overseas.

Corporate Governance

Working to ensure fair and transparent management

AISIN Group builds strong relationships with all of our stakeholders and achieves steady long-term growth and expansion to maximize our value as a company. In order to achieve this, we believe that it is important to conduct our business activities in a fair and transparent way in order to be a trusted corporate citizen in the international community. We have appointed three external directors and carry out comprehensive corporate governance activities according to the following five basic policies:

**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.

This work is based on the Corporate Governance Code issued by the Financial Services Agency and the Tokyo Stock Exchange as part of growth strategies by the Japanese Government.

Restructuring our Board of Directors

On April 1, 2019, we restructured the composition of our Board of Directors for maximum effectiveness and efficiency. The board now comprises Executive Vice Presidents and Operating Officers. This enables all Operating Officers to become a familiar presence at our sites and carry out operations with a sense of urgency. We also slimmed down our management framework from 14 directors to 9 after the regular General Meeting of Shareholders held on June 18, 2019. This creates separation between decision-making and execution, enabling fast decision-making and greater supervision of operations. These changes reduced the number of officers (directors, auditors and operating officers) from 48 at the end of March 2019 to 32 after the regular General Meeting of Shareholders.

Maintaining and strengthening internal governance

Aisin Seki 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. The main 13 companies in AISIN Group belong to consolidated 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 carry out comprehensive notification and executive activities such as establishing and enacting basic policies to optimize operations and minimize risk, creating guides and carrying out training. The committees monitor operations throughout the company to ensure that all sites are operating effectively. 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 13 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 gendai 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.
Appointments and Dismissal of Officers

When appointing and dismissing members of our Board of Directors, we seek the optimum balance of knowledge, experience and skills to ensure the suitable, swift and fair decision-making that is needed to achieve sustainable growth and increase our value as a company in the medium and long term. We take a comprehensive approach, including appointing multiple external directors with advanced expertise inside and outside the industry. We are conscious of the need for efficient consolidated management and appoint directors of key subsidiaries as directors of Asin Seiki. Decisions to appoint or dismiss a director are ratified by a majority of over 50% in a meeting attended by at least 1/3 of shareholders with voting rights. Our articles of incorporation state that cumulative voting is not used to decide the appointment or dismissal of directors.

Effectiveness Evaluation

Our Board of Directors includes multiple external directors to guarantee that functions performed by the Board of Directors, such as decision-making and the running of meetings, are executed effectively. All external directors and auditors are asked about the effectiveness of the Board of Directors as a whole and improvements are made based on their answers. In our interviews at the end of FY2019, our external directors expressed approval of the overall functioning of the Board of Directors.

Diversity in our Board of Directors and Audit & Supervisory Board

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
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<tr>
<td>Executive Vice President</td>
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<td>Executive Vice President</td>
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<td>Director</td>
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<tr>
<td>Vice President and Corporate Officer</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Company Management</th>
<th>Industry Knowledge</th>
<th>Technology Development</th>
<th>Manufacturing (production)</th>
<th>Sales and Procurement</th>
<th>Finance</th>
<th>Legal Affairs/Compliance</th>
<th>Global Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kanshiro Takanaka</td>
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All independent external directors appointed by Asin Seiki are expected to fulfill the following duties and obligations.

1. Apply specialized knowledge, wide-ranging experience and other assets gained from previous roles to their management at Asin Seiki.
2. Provide warnings and advice about risks from an impartial and fair perspective in important decision-making settings such as meetings of the Board of Directors.
3. Preserve over conflicts of interest between the company and parties such as its management or controlling shareholders.
4. Appropriately represent outside views at meetings of the Board of Directors.

When selecting candidates for external director positions, we focus on specialized expertise and a wide range of experience that will enable the candidate to provide frank and constructive advice in their leadership, in addition to the requirements for independence set by the Companies Act and the Tokyo Stock Exchange.

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. 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. 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.
Remuneration of Officers

(1) Policy for determining the amounts and calculation method for remuneration of officers

<table>
<thead>
<tr>
<th>Officer category</th>
<th>Base salary</th>
<th>Bonus</th>
<th>Stock options</th>
<th>Total remuneration</th>
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<tbody>
<tr>
<td>Directors</td>
<td>987</td>
<td>438</td>
<td>248</td>
<td>1,673</td>
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<tr>
<td>External directors</td>
<td>124</td>
<td>124</td>
<td>10</td>
<td>268</td>
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<tr>
<td>Auditors</td>
<td>971</td>
<td>563</td>
<td>248</td>
<td>1,782</td>
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Policy for director remuneration and method for deciding director remuneration

Monthly salary reflects factors such as the director’s duties and experience, along with trends among other companies. Bonuses are based on the consolidated operating profit achieved through our operations in each period, and are decided through a comprehensive assessment of dividends, the size of the bonuses given to our employees, trends among other companies and bonuses that were paid in the past. Stock options (shares with restrictions on transfer) are given as an incentive for directors to boost the value of our stock by continuously improving our value as a company.

It was decided at the 98th General Meeting of Shareholders on June 18, 2019 that the total monthly salary and bonuses paid to all directors collectively must be no greater than 600 million yen per year (with no greater than 75 million yen paid to the external directors). It was also decided at the same meeting that the total shares with restrictions on transfer to be given to all non-external directors collectively must be no greater than 100 million yen per year.

(2) Total remuneration for each category of officer

Policy for auditor remuneration and method for deciding auditor remuneration

Auditors’ monthly salary reflects factors such as their duties and trends among other companies. It was decided at the 87th General Meeting of Shareholders on June 23, 2010 that the total monthly salary paid to all auditors collectively must be no greater than 15 million yen per month. The monthly salary for each auditor is decided upon discussion between the president, relevant vice president and external directors at a Remuneration Council meeting. Amounts for each director are discussed by the Remuneration Council and then finalized at the Board of Directors’ meeting.

Relationship with Stakeholders

Emphasizing dialog with a wide range of stakeholders

AISIN Group focuses on dialog with a wide range of stakeholders, including customers, shareholders, investors, suppliers, employees and local communities, so that we can meet our stakeholders’ expectations.

Tour of Comm Center in exhibition hall after General Meeting of Shareholders

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 (ATS/G) to all of its consolidated Group companies, as well as implementing countermeasures with regard to both physical and cyber aspects of information security, such as strengthening internal networks and other information systems and establishing more stringent rules on entry/exit management and on-site photography. It also conducts continuous education and awareness-building activities to increase visibility of these issues. In addition, the group seeks to improve its information security initiatives by carrying out regular inspections.

Intellectual Property Activities

Promoting the use of patent information and strengthening group collaborations

To sharpen AISIN Group’s competitive edge, our intellectual property division is involved in the product planning stage, researching patent information to assess our competitors’ patent portfolios and development trends. This not only steers our development but provides intellectual property support for group collaborations in up-and-coming growth areas.

We are working to increase group collaboration in intellectual property management by consolidating work such as research, patenting and acquisition and updating of rights for all trademarks held by the 13 main group companies. We are also carrying out group-wide measures to streamline our trademark management and improve reliability in our processes.

We have established regulations and infrastructure for the handling of intellectual property at our overseas development sites to strengthen our intellectual property capabilities overseas. Local supervisors have been assigned in North America and Europe for over 40 years.

Clarivate Analytics has selected us for the Dovent Top 100 Global Innovators* for five years running for our high number of patents and global development.

Management of personal information

To comply with all laws and regulations related to protecting the personal information of customers, business contacts and employees that we encounter in our day-to-day operations, AISIN Group has established rules and systems to ensure appropriate handling and management of personal information.

With stronger laws and regulations on personal data protection being rolled out around the world, such as the EU’s General Data Protection Regulation (GDPR), we are strengthening our rules on procedures such as the processing of personal data.
Risk Management

Global risk management system
The Consolidated Risk Management Committee, which comprises senior management from the 13 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 strong resistance to risk under the leadership of the Chief Risk Officer (CRO).

In the global risk management system, the Consolidated Risk Management Committee convenes top management of AISIN 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 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 personnel and frameworks that are resilient to disasters
As part of our group-wide efforts to build resilience against disasters, AISIN Group undertakes education and awareness-raising 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 disaster occurs) and during an emergency (when a disaster occurs).

We carry out systematic measures to minimize damage caused by major earthquakes based on the AISIN Global Safety Standard (GASS) and what we have learned from the earthquakes that occurred in Kumamoto, Osaka and Hokkaido over the last few years. To pass on lessons and observations from these earthquakes to all of our employees, an AISIN Group BCP Committee comprising the top management, officers and relevant managers in the group’s 13 main companies meets each year on the anniversary of the Kumamoto earthquake.

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

To strengthen our response to disasters, we are building on the frameworks that are in place in each of our companies and sites, we are also building a group headquarters framework to unify information throughout the group to strengthen collaborative initiatives such as support for affected sites. Training is carried out with a simulation of a situation requiring a first response from the group headquarters. The group headquarters and the sites of our group companies must work together to address a hypothetical major earthquake in an exercise that cements the operations, information gathering and decision making that is needed in our first response to a disaster.

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 survey, judgment of whether it is safe to enter buildings and daytime and nighttime evacuation drills).

Compliance

Communication of our basic social responsibilities
We have declared our commitment to thorough compliance in 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. The president himself is leading our efforts to reinforce compliance.

Building a group-wide compliance framework
AISIN Group established a Business Ethics Committee (also known as the Consolidated Business Ethics Committee) in April 2018 to assess matters concerning legal compliance and other important points of corporate ethics and make policies. Regular meetings of this committee are held. Comprising the presidents and compliance officers of each of the 13 main group companies, the Consolidated Business Ethics Committee sets policies on compliance activities and checks that everyone in AISIN Group is complying with laws and regulations such as Anti-monopoly Act and anti-bribery regulations.

Expansion of compliance training
Ultimately, the work of compliance is done by people. We provide training for employees at each level and additional training for our management and officers to ensure that everyone in AISIN Group is fully aware of their compliance responsibilities. Since FY2019, members of the legal affairs division of our group headquarters have provided compliance training directly to representatives of each division of our consolidated domestic companies. Relevant divisions also provide training on points such as the Antimonopoly Act and safe and secure export management.

October is AISIN Group Business Ethics Campaign Month. It is a time for all employees to reflect on things they do on a daily basis and think about ethical corporate activities. All employees at our consolidated domestic companies are surveyed about their awareness of compliance during this month. The around 78,000 responses to the survey in FY2019 indicated that compliance awareness in our workplaces has become stronger and more widespread.

Employees at our overseas subsidiaries also receive training on ethical corporate behavior from their local compliance divisions. In North America, for example, training on points such as antimonopoly laws and harassment is carried out based on the local situation.

Detecting and correcting unethical action early with our whistleblowing service
One of the points covered during AISIN Group Business Ethics Campaign Month is thorough communication about the service we have set up for reporting and questions about compliance. The service is available to everyone who works for AISIN Group and people connected to them, such as family members. Anonymous contact is accepted. We endeavor to detect and correct violations as quickly as possible with this service. We take thorough measures to ensure that people who make a report or comply with facts checks do not face reprisal. Confidentiality is maintained and all cooperating parties are notified first. In FY2019, 125 reports and requests for advice regarding compliance were made throughout AISIN Group, and all have been appropriately addressed.

Similar whistleblowing services are being set up overseas, and sites in other Asian countries and North America are able to use the main group service.

The Antimonopoly Act
Training on the Antimonopoly Act is given to employees, site managers and officers in the relevant divisions of our consolidated domestic companies to ensure thorough awareness and understanding of this law. We plan to provide this training to more of our employees in future and tailor it to each of their various roles so that our employees receive more effective education about this topic.

Bribery
Bribery is punishable by fines, penalties and termination of employment. Thus far, we have never encountered bribery in our group, but we remain vigilant, creating Guidelines for the Prevention of Bribery in multiple languages and distributing it to group companies both in Japan and overseas, in addition to providing training.

We verify the anti-bribery policies of our suppliers and perform a risk assessment based on our findings.

A breakdown of these reports and requests for advice is available on our website.
Environment
Through 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 will 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, a continuous process of improvement and respect for each and every person. Through business activities centered on monozukuri (manufacturing expertise in value-added products), we contribute to the creation of a sustainable society in which people will be able to coexist in harmony with the environment far into the future.

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.

1. Establish annual policies based on a long-term vision and carry out continuous improvements and periodical reviews of our 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 governments, customers, local communities, suppliers and our employees, as well as cooperation with our 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 complying 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.

Strengthening our top management
In FY2019, we established our Consolidated Environment Committee. Comprising the presidents of the 13 main companies in AISIN Group, the committee is our highest-level organizational structure for handling environmental matters, and will further accelerate AISIN Group’s environmental activities.

Study groups leading AISIN Group’s environmental activities
Study groups play a crucial role in implementing AISIN Group’s environmental activities globally. We currently have Energy-saving, Environmental Conservation, EMS and Products Environmental study groups (see the figure above). All of these consist largely of members from our 13 main group companies, with our affiliate companies also participating in these activities.

Common roles of study groups
• Creation of medium- to long-term activity plans for each study group based on our consolidated medium- to long-term activity plans
• Creation of annual activity plans based on the medium- to long-term activity plans for each study group and semiannual reporting of activities
• Establishment of various relevant consolidated guidelines, standards, etc.

Initiatives of our study groups
Energy-saving
• Reduction of CO2 emissions in our production work

Environmental conservation
• Outperforming every other company in each region by achieving zero abnormalities and complaints related to the environment
• Legal compliance activities
• Risk management such as activities to prevent environmental accidents

EMS
• Consolidated EMS training and training of consolidated auditors
• Reporting of assessment plans at the All-Aisin Environment Meeting
• Creation of EMS-related documents

Products Environmental
• Investigation and sharing of elements such as indexes for measuring a product’s impact on the environment and methods for managing chemicals
• Visualization of the degree to which we are contributing to environmentally friendly products
• Investigation and sharing of trends in laws and regulations concerning the impact of products on the environment

Fundamental activities
• Establishment and operation of a system to evaluate the consolidated global environmental management system (EMS)
### Results of activities for the Sixth Environmental Action Plan in FY2019

#### Environment

<table>
<thead>
<tr>
<th>Measures</th>
<th>FY2019 results</th>
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<tbody>
<tr>
<td>Effective use of metallic resources during the development stage and all-out efforts to promote recycling</td>
<td></td>
</tr>
<tr>
<td>Promotion of recycling activities in production lines and distribution, and consequent reduction of the use of resources</td>
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<tr>
<td>Promotion of group-wide recycling of materials</td>
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<tr>
<td>Reduction of packaging materials</td>
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<tr>
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<tr>
<td>Completed activities to ascertain the current state of metallic resources that should be managed by AISIN Group, and confirmed that there is no problem at present</td>
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<td>Zero environmental load</td>
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<td>Creation of a low-carbon society</td>
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<tr>
<td>Established a reduction of CO2 emissions to zero over the entire lifecycle of products, from manufacturing and use to disposal</td>
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<td>Establishment of an ASEAN share energy factory and commercial operation</td>
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<td>Improvement of transportation efficiency and distribution activities</td>
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<td>Assessed the current status of initiatives for renewable energy worldwide and the level of such initiatives at other companies</td>
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*1 Life Cycle Assessment, an assessment of reductions in CO2 emissions across product lifecycles as part of the product development process
*2 An organizational body that engages in activities and shares resources (including knowledge, technologies and equipment) with the aim of improving AISIN Group’s production technology capabilities and the competitiveness of its manufacturing processes
*3 Biodegradable fuel, a type of fuel made by collecting and refining food oils
*4 Kiken Yochi Training, a form of danger prediction training designed to enable employees to predict risks that could lead to environmental accidents and abnormalities
*5 AISIN Global Environmental Standard
Establishment of a Low-Carbon Society

Aiming to reduce life cycle CO₂ emissions to zero

AISIN Group is aiming to reduce CO₂ emissions to zero throughout the life cycle of our products by 2050. We see this as part of our duty to create a sustainable society where people exist harmoniously with the planet, and the entire group is working together to create medium- to long-term reduction scenarios and carry out activities to reduce emissions.

We are accelerating our development of products that help to improve fuel efficiency, such as electrification units and parts such as brakes, chassis and bodies for electric and fuel cell vehicles.

We are also working to drastically reduce CO₂ emissions throughout the production process, building on previous activities with (identification of) production technology innovation topics and the adoption of renewable energy.

* 
  - Every process including extraction of resources, processing of raw materials and the manufacturing, consumption and disposal of the product

<table>
<thead>
<tr>
<th>Emissions of non-CO₂ greenhouse gases (ton-CO₂)</th>
<th>FY2018</th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CO₂ emissions**</td>
<td>11,400</td>
<td>1,195</td>
<td>11,604</td>
<td>1,195</td>
</tr>
<tr>
<td>Emission factor set in accordance with the Act on Promotion of Global Warming Countermeasures</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td></td>
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CO₂ reduction: 580 t per year

We are accelerating our development of products for which CO₂ generation is more than 1,000 t per year.

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<thead>
<tr>
<th>Generation capacity</th>
<th>Installed FY2018</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Aisin Takaoka Foundry Co., Ltd. (installed FY2018)</td>
<td>Generation capacity: 1,200kW CO₂ reduction: 1,800 t per year</td>
<td></td>
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<td>The Nawaloha Industry Co., Ltd. (installed FY2019)</td>
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Aiming to reduce life cycle CO₂ emissions to zero

AISIN Group is working to reduce its 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.

Unlocking the potential of renewable energy

We are accelerating our development of products where CO₂ generation is more than 1,000 t per year.

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Fundamental Activities: Environmental Management

Consistently improving our environmental management system (EMS)

AISIN Group is continually improving its EMS to become one of the most environmentally friendly companies in existence. In addition to gaining the international ISO14001 standard, we have devised our own, more stringent management targets to work toward.

Our EMS Study Group carries out the following three activities to promote environmental management throughout the group:

1. Standardization
   - Reviews of the AISIN Consolidated EMS Manual and AISIN Group Green Procurement Guidelines
   - Effective use of these resources to conduct inspections and standardize improvement activities at our companies in Japan and overseas

2. Assessment
   - Properly manage substances that have an environmental impact.
   - We will continue to provide continuous support to help ensure supplier compliance with laws, regulations and byelaws, etc., and properly manage substances that have an environmental impact.

3. Human resources development
   - Active initiatives to improve the skills of environmental management personnel in our group companies, such as presentations with talks by experts.

Activities under AISIN Group Green Procurement Guidelines

AISIN Group carries out various activities to promote understanding and cooperation of AISIN Group Green Procurement Guidelines among our suppliers. The members of AISIN Group (13 companies) Suppliers’ Environmental Inspection Liaison Meeting conducted risk inspections at 53 supplier companies in FY2019. We are working to assess the current situation and carry out improvements for issues in our supplier companies.

Promoting environmental activities around the world

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.

Promotion of biodiversity activities

AISIN Group engage 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.

Establishment of a Society in Which People Coexist with Nature

Achieving harmony with nature

To achieve harmony with nature, 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.

Actions ahead of official enforcement of regulations on the management of chemicals

We act strategically when regulations on the management of chemicals are announced, actively gathering information on regulations and assessing their impact so that we can enact them ahead of official enforcement. We also operate Global AisinIMACS, a proprietary global system for the management of chemicals in products that we built to ensure quick and accurate reporting in the IMDS*, a global materials database for the automotive industry that is used to set conditions for automotive certifications.

Overview of Global AisinIMACS

Global AisinIMACS automatically obtains information from manufacturing and technical databases and uses it to identify suppliers, request procurement, make decisions about customers and determine whether the chemicals in a product need to be investigated. It is used in AISIN Group companies both in Japan and overseas as it enables automatic, accurate regulation of materials.

VOC emissions per sales (to consolidated companies in Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total emissions</th>
<th>Indexa</th>
<th>Emissions per sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,400</td>
<td>100</td>
<td>1,800</td>
</tr>
<tr>
<td>2011</td>
<td>2,080</td>
<td>90</td>
<td>1,500</td>
</tr>
<tr>
<td>2012</td>
<td>1,900</td>
<td>85</td>
<td>1,300</td>
</tr>
<tr>
<td>2013</td>
<td>1,100</td>
<td>60</td>
<td>1,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,041</td>
<td>65</td>
<td>900</td>
</tr>
<tr>
<td>2015</td>
<td>839.3</td>
<td>100</td>
<td>1,000</td>
</tr>
<tr>
<td>2016</td>
<td>757.8</td>
<td>60</td>
<td>940</td>
</tr>
<tr>
<td>2017</td>
<td>821.0</td>
<td>65</td>
<td>950</td>
</tr>
<tr>
<td>2018</td>
<td>817.5</td>
<td>50</td>
<td>1,000</td>
</tr>
</tbody>
</table>

* The values used for emissions per sales is calculated as a percentage of the figure for the previous year for each site set as the Environmental Action Plan. "Exhibit " indicates the years when figures have been revised due to changes in the scope of calculation.

Activities under AISIN Group Green Procurement Guidelines

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Promoting environmental activities around the world

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<table>
<thead>
<tr>
<th>Region</th>
<th>Group Affiliates (figures in parentheses indicate the number of participants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1 (company)</td>
</tr>
<tr>
<td>South America (Brazil)</td>
<td>1 (company)</td>
</tr>
<tr>
<td>Europe</td>
<td>1 (company)</td>
</tr>
<tr>
<td>China and Taiwan</td>
<td>5 (companies), 9 (group companies)</td>
</tr>
<tr>
<td>India</td>
<td>1 (company)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3 (companies), 7 (group companies)</td>
</tr>
</tbody>
</table>

(1) Participating Group affiliates (figures in parentheses indicate the number of participants)
(2) Activities taking place (photos)
Resources Used and Emissions Released (FY2019)
33 main companies in Japan*1

Environmental Accounting

<table>
<thead>
<tr>
<th>Year</th>
<th>Business operation costs</th>
<th>Management costs</th>
<th>Upstream/downstream costs</th>
<th>Research and development costs</th>
<th>Total contribution activity costs</th>
<th>Environmental remediation costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>12,640</td>
<td>1,050</td>
<td>4,930</td>
<td>17,440</td>
<td>0.15</td>
<td>0.08</td>
<td>34,290</td>
</tr>
<tr>
<td>FY2018</td>
<td>9,891</td>
<td>1,033</td>
<td>7,033</td>
<td>18,050</td>
<td>0.21</td>
<td>0.04</td>
<td>29,320</td>
</tr>
<tr>
<td>FY2019</td>
<td>10,227</td>
<td>1,052</td>
<td>7,866</td>
<td>18,470</td>
<td>0.22</td>
<td>0.05</td>
<td>35,220</td>
</tr>
</tbody>
</table>

Environmental conservation strategies:
- Energy
  - Energy saving: 1.06, 1.08, 1.11
  - Power saving: 0.25 to 0.27
- Water conservation
  - Effluent treatment: 5.33 to 5.37
  - Land use efficiency: 6.67 to 6.77

Note: These figures are based on Environmental Accounting Guidelines FY2006, issued by Japan's Ministry of the Environment.

*1 All of the 13 main group companies in Japan except Aisin Development, a non-manufacturing company.

*2 There were 3 companies in FY2017, 32 companies in FY2018 and 33 companies in FY2019.

Independent Practitioner’s Assurance

Deloitte Touche Tohmatsu

Mr. Kyoji Tanaka, President, Aisin SEIKI R&D Co., Ltd.

We have undertaken a limited assurance engagement of the Total CO2 emissions and the Water use volume indicated in the table below, which contains environmental information included in the “Aisin Group Report 2019” (hereinafter referred to as “AISIN GROUP REPORT 2019”).

The Company’s Responsibility

The Company is responsible for the preparation of the Quantitative Environmental Information in accordance with the calculation and reporting standard established by the Company, and disclosed with the Aisin Group Environmental Information Statement. We have performed a limited assurance engagement to ensure the reliability of the data for use in various studies such as academic scientific knowledge used to determine emissions factors and corrected data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants. We have also complied with other requirements of International Standards on Assurance Engagements, which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We express no opinion concerning the presentation or format of the information in “AISIN GROUP REPORT 2019.” However, the information about the Total CO2 emissions and the Water use volume included in the “AISIN GROUP REPORT 2019” has been prepared by the Company in accordance with such professional standards.

The procedures performed in a limited assurance engagement are not the same as and less in extent than those of a reasonable assurance engagement. Consequently, the level of assurance obtained by a limited assurance engagement is lower than that of a reasonable assurance engagement. We have issued this report on the basis that the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limitation of Assurances

The above represents a translation, for convenience only, of the original Independent Practitioner’s Assurance report issued in the Japanese language.

Patrick Jones
Senior Assurance Partner, Deloitte Touche Tohmatsu Japan

Scope of Coverage of Calculation

99.7% (total sales for Aisin SEIKI Co., Ltd. and 129 main consolidated manufacturing subsidiaries) +/- (total sales for Aisin SEIKI Co., Ltd. and its 136 consolidated manufacturing subsidiaries)

* As of April 1, 2019.
Society

As a global Tier One supplier, AISIN Group creates working environments where respect the working practices of employees with diverse values enable each of those employees to thrive. As our employees grow together, they raise the value of the company and contribute to the building of a sustainable society.

Human Rights

Basic policy regarding respect for human rights
Under AISIN Group Principles of Corporate Behavior, following international directives such as the UN’s Universal Declaration of Human Rights, we established a basic policy 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 a specific code of conduct to ensure that our principles of corporate behavior are adhered to, including clear statements prohibiting forced labor and child labor. Additionally, the AISIN Way clarifies timeless, global values and principles of conduct to be shared among AISIN Group.

Affiliated groups and involvement in initiatives
AISIN Group is a member of the Industrial Federation for Human Rights, Aichi, an organization comprising 26 companies in Aichi Prefecture that works with relevant administrative bodies and organizations such as the Aichi prefectural government and labor board to raise awareness about human rights. We also work with the Corporate Federation for Dowma and Human Rights Issues in various regions to carry out training and awareness-raising activities in companies to create a society where human rights are respected.

Thorough implementation of education on the protection of human rights for all employees
AISIN Group takes all employees’ human rights seriously and takes every opportunity to educate our employees on human rights, from initial training for new employees to additional training for those receiving a promotion or being appointed as a director.

Initiatives for FY2019
- 3,152 employees attended CSR training for the 13 main companies of AISIN Group.
- Attended a guest lecture from the Aichi Labor Bureau and held a training seminar for group companies.

AISIN Group takes all employees’ human rights seriously and considers the development of globally-minded employees who are capable of engaging in business worldwide. To cultivate top management training for personnel of our 13 main Group companies who work in management or executive positions at AISIN locations around the world, AISIN Saitama also runs an overseas employee exchange system designed to develop young local employees at AISIN locations around the world and a training program that assigns 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.

Labor Practices

Basic stance with regard to stable employment
We are conscious of the fact that in order for AISIN Group to provide stable employment, it needs to be and remain a corporate group that is valued by society. To accomplish this, we ask every employee to take an active role, grow as an employee and contribute to achieving sound and sustainable business growth. This will lead to stable employment in the long term.

Building fulfilling workplaces through respectfull relationships between management and employees
Fundamental labor principles and rights are of the utmost importance to AISIN Group. We comply with all relevant laws and regulations and take principles such as freedom of association and the right to collective bargaining seriously. We have built a framework in which regular discussions are held between employees and management in each division to share policies and issues and foster mutual trust and cooperation. We stringently adhere to the UN’s Guiding Principles on Business and Human Rights, with procedures in place to identify, prevent, alleviate and correct human rights issues and fulfill our responsibility as a company to uphold human rights.

We are actively adopting IT tools to shorten working hours and have built systems that enable flexible work formats such as teleworking from home. We also work to ensure that all of our employees take 100% of their annual paid vacations, with measures in place to identify, prevent, alleviate and correct issues such as workplace culture where employees can take leave easily, led by messages from the top management of each company. And of course, this includes programs for our employees posted overseas, with measures in place to reduce their working hours and invest in their health.

Stable employment
We believe that standardization of our basic stance and systems concerning personnel and labor affairs is essential to ensure stable employment. AISIN Group develops measures based on this principle and on the laws and regulations of respective countries and regions to reduce related risks and build sound relations between our management and our employees. A turnover rate of 1.2% was achieved in FY2019 as a result of these initiatives.

Nurturing technical personnel who can contribute to local development in each country
We are continuing to strengthen our education for local technical personnel throughout AISIN Group in line with our global expansion. To cultivate future leaders of manufacturing operations, we operate 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 5,800 members from group companies in Japan have graduated from these academies. AISIN Group has accepted overseas trainees from 22 locations in 11 countries, and these graduates are now playing key roles at overseas subsidiaries in supervisory or technical capacities.

Human Resources Development

Supporting the growth of each person by respecting individuality
At AISIN Group, we are committed to developing globally-minded employees who are capable of viewing matters from a broad perspective and possess a diverse range of values, irrespective of gender, nationality or age. We respect the individuality of our employees as part of our Guidelines in Compliance with Social Responsibility, and provide education and training so that employees can make the most of their abilities based on the AISIN Way.

Initiatives for FY2019
- Provide career development training to support our employees as they embark on a career with AISIN.
- Carry out group-wide training with a curriculum designed to provide a deeper understanding of AISIN Group’s history.

Promoting reforms of our working practices
Reforms of working practices are one of AISIN Group’s management policies, and we are carrying out activities to improve the way we work. The aim of these activities is to improve productivity, create a better work-life balance, energize our employees and achieve even better results.

Specified initiatives center on improving the practices and operations at our sites, including the promotion of digital technology throughout the company, reforming and scrapping unnecessary processes and implementing flexible systems such as work-from-home systems to support the work we do.

Values for reforms of our working practices
- Full benefits and secure job security
- Terminal training system designed to develop young local employees
- Total of 14,937 employees receiving training each year
- Average hours of training per employee per year: 27,963 / 38
Harnessing a Diverse Range of Human Resources

**Promotion of diversity**

AISIN Group actively promotes the diversity and inclusion that is needed to achieve sustainable growth. A variety of measures are in place to foster a work culture that accepts diverse values and enables each of our employees to make maximum use of their abilities and live a fulfilling life.

Asis Seki also holds the Iku Boss Academy for managers to engage each workplace in the task of promoting 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. By FY2018, there were 1,623 people who had graduated from the Iku Boss Academy.

We also expanded our initiatives into our technical workplaces, making the general premise of this work more firmly entrenched and deeply understood throughout the whole company.

We also began working on initiatives to promote understanding of the LGBT community, and are actively working to build inclusive environments.

**Promoting more active roles for female employees**

AISIN Group actively supports career development and work-life balance for our growing number of female employees to enable them to actually take advantage of career opportunities in AISIN Group and continue working in rewarding positions.

### Initiatives for FY2019

- **Career Development Program for Women (CDP)**
  - Designed to foster individualized development of female employees aspiring to take managerial positions.

- **Social events with women from the Toyota Group**
  - For professional development of female management.

- **Initiatives to promote understanding of the LGBT community**
  - Among all of management, including re-learning and workplace meetings.

**Initiatives for FY2020**

- **Continued participation in the Iku Boss Academy**

- **Promotion of diversity**
  - Women in managerial positions:
    - FY2017: 57%
    - FY2018: 58.7%
    - FY2019: 60.3%

- **Women in professional positions**
  - FY2018: 24.2%

- **Employee satisfaction survey**
  - Among all employees: 95.7%
  - Among female employees: 93.9%

**Work-life balance support**

AISIN Group creates an environment in which employees can choose from a wide range of work styles to suit the stage of life they are currently in. In recent years, Asis Seki launched a telecommuting system and short working hour system for family care, along with a leave and short working hours system for employees undergoing fertility treatments, to further enhance measures to support work-life balance.

**Creating a workplace in which people with special needs can thrive**

AISIN Group is working to develop a working environment in which people with special needs can thrive, and increase the number of employment opportunities available to people with special needs. AISIN Group has continuously held joint interview sessions for people with disabilities since FY2018.

The third session was held in February 2019, and was attended by representatives from 20 companies in AISIN Group.

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

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

The five core companies in AISIN Group hold seminars for employees in their 50s, providing advice on points such as our re-employment system, health and the pension and retirement allowance system to help them plan their career and life after they reach retirement age.

We are also working to increase motivation for re-employed individuals through initiatives such as establishing technical legacy coaching sessions to pass on their advanced skills 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 our management and employees with the aim of encouraging employees to take shortened working hours and annual paid vacations.

**Total annual work hours**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly average overtime worked (Aisin Seki) (hrs)</td>
<td>30.9</td>
<td>31.3</td>
<td>31.9</td>
<td>32.7</td>
</tr>
<tr>
<td>Annual paid leave taken (Aisin Seki) (%)</td>
<td>98.1</td>
<td>98.0</td>
<td>98.2</td>
<td>98.0</td>
</tr>
</tbody>
</table>

**100% of paid vacations taken**

#### 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 Seki**

- **Telecommuting system**
  - Allows employees in administrative or engineering positions who have a child aged 11 or younger to work at home or part-time.

- **Short working hour system for child care**
  - Allows employees who have a child aged eight or younger as of April 1 to reduce their work hours in accordance with the age of the child.

- **Parental leave**
  - Allows employees to take a leave of absence for a requested period until the child reaches the age of two.

- **Family-care leave**
  - Allows employees to take a leave of absence for a requested period to care for a family member. Maximum three years in total per family member.

- **Short-term family-care leave**
  - Allows employees to take leave of 10 days a year for one person requiring nursing care or leave of 20 days if there are two or more persons requiring nursing care.

- **Asuin (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**
  - AISIN Group pays allowances for children and family members requiring nursing care, disability assistance or other support.

**Number of employees using parental support systems (Aisin Seki)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parental leave</td>
<td>1,050</td>
<td>1,150</td>
<td>1,030</td>
<td>1,120</td>
</tr>
<tr>
<td>Short working hour system for child care</td>
<td>1,120</td>
<td>1,130</td>
<td>1,030</td>
<td>1,100</td>
</tr>
</tbody>
</table>

**Number of regular employees/managerial personnel**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative workers</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Technical workers</td>
<td>167</td>
<td>164</td>
<td>165</td>
<td>168</td>
</tr>
<tr>
<td>Scientific workers</td>
<td>118</td>
<td>114</td>
<td>115</td>
<td>118</td>
</tr>
</tbody>
</table>

**Average length of service**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>15.3</td>
<td>15.2</td>
<td>15.2</td>
<td>15.3</td>
</tr>
<tr>
<td>Female</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
</tr>
</tbody>
</table>

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

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*Image 122x99 to 159x140*<br>
*Image 221x52 to 256x87*<br>
*Image 221x101 to 255x134*
Employee Health and Safety

A core principle of placing health and safety above all else

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

Initiatives to prevent recurrence of accidents

AISIN Group is committed to ensuring that accidents at our sites do not occur again. Group-wide safety standards have been established and facility safety, risk assessment and safety training initiatives have been thoroughly strengthened throughout the group since 2016 to ensure that no lives are lost on our premises.

AISIN Global Safety Standard (AGSS) has also been established to prevent STOP6 accidents, and risk assessments and safety inspections are carried out when equipment is received or modified. In FY2019, the top management of each company in AISIN Group thoroughly surveyed their respective companies’ sites and implemented occupational health and safety activities according to an action plan.

The six causes of the most serious accidents

1. Getting caught in machinery
2. Contact with vehicles
3. Electrocution
4. Falling
5. Heat objects
6. Contact with high temperature objects

A new program has been established to ensure that all employees are aware of safety.

Activities to maintain and promote the health of employees

Aisin Seiki gained accreditation as a Healthy Business and has implemented a variety of measures to promote the physical and mental health of our employees.

Activities to improve safety standards in AISIN Group

To ensure that no lives are lost on AISIN Group premises, a Consolidated Health and Safety Committee has been established. Comprising the presidents of every company in AISIN Group, the committee works to unify policies and standards to ensure the safety of everyone who works on our premises. In March 2019, we asked a third-party organization to provide safety seminars for the officers in charge of our safety operations. We believe that all injuries and occupational illnesses are preventable, and the whole of AISIN Group works together to improve our awareness of safety and build a safety-first culture. We consistently maintain high safety standards and use a mutual teaching system to build safety-consciousness, and all of our officers use felt leadership to raise awareness of safety and build a culture of safety throughout the group.

Specialist safety training is also provided to ordering staff to prevent serious accidents in contracted work and ensure that the ALL TOYOTA Safety Standard for Contractor Work on the Premises is enacted correctly by the contractor and our ordering staff.

As a result of these measures, the 13 main group companies maintained a rate of injuries from occupational accidents resulting in lost work time that was lower than the national average for the manufacturing industry in FY2019. AISIN Group will continue to build on these initiatives to become the world’s safest conglomerate.

* A form of leadership in which the top management have a passionate awareness of safety.

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Making sure the same failures do not happen again

In April 2016, AISIN Group established the Quality Learning Zone for the purpose of learning from past failures. In July 2018, AISIN 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, to further improve quality awareness. AISIN Group also plans to create a new simulator, present feedback from 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.

Initiatives to ensure reliability

AISIN Group thoroughly surveys how our products are used to increase the level of our performance evaluations and ensure safe and reliable products as a result. To ensure the reliability of our automotive parts, AISIN Group operates three large-scale proving grounds, where we conduct repeated adaptability tests using actual vehicles from the standpoint of actual users. The test tracks at the proving grounds have been updated to recreate various road conditions around the world, enabling us to reflect changes in the marketplace. We also repeat tests across the world based on stringent conditions that accurately reflect different natural environments and ways in which vehicles are used in different countries, and incorporate our findings into quality assurance and improvement of evaluation technologies.

Aisin Densho-kan: A place to learn about the importance of safety, quality and unfiltered customer feedback

Aisin Densho-kan (Educational Center) is a place for all AISIN Group employees to learn about workplace safety and disaster-prevention initiatives and unfiltered customer feedback. The center is not open to the general public.

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 2019, 31,339 employees from the 13 main group companies had acquired the certification. To cultivate scientific problem-solving capabilities, AISIN Group is promoting the practical use of a fact- and data-based scientific approach by conducting training in SQC methods and sharing information on examples of improvements.

Developing human resources and systems from a consumer-oriented perspective

Our Customer Support Department works to ascertain information on the latest revisions to relevant 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. There are currently 30 employees in AISIN Group who hold lifestyle advisor qualifications. These employees work to build connections between consumers and the company. AISIN Group will continue to support employees taking examinations to obtain these qualifications in fiscal 2020.

Asin Densho-kan: A place to learn about the importance of safety, quality and unfiltered customer feedback

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Co-Existence and Co-Prosperity with Suppliers

Building trust 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 each of these transactions, AISIN Group works to increase collaboration and establish trusting relationships with our suppliers based on our basic philosophy of seeking growth and prosperity as good business partners.

AISIN Group’s procurement principles

AISIN Group believes in coexisting and sharing prosperity with our suppliers, and strives to achieve mutual development. To ensure that all of our procurement activities comply with AISIN Group’s policies along with relevant laws and regulations, we have formed AISIN Group Principles of Corporate Behavior into our suppliers’ languages, distributed the translations to our suppliers and asked that they comply with the principles. The principles include policies on points such as human rights, labor practices, the environment and compliance, covering both social issues, including child labor, forced labor, equal opportunities and prohibition of discrimination, freedom of association, collective bargaining, reduction of long working hours, minimum wage and health and safety, and environmental issues such as water usage and biodiversity. We have particularly stringent standards about the environment, asking our suppliers to reduce GHG emissions, recycle waste materials and resources, reduce water usage and preserve biodiversity according to our revised version of AISIN Group Green Procurement Guidelines.

All of our suppliers are certified with ISO 9001 and ISO14001, and safety, environmental and earthquake-proofing inspections are carried out. AISIN Group has inspected its suppliers for environmental risks according to AISIN Group Green Procurement Guidelines since FY2007 to prevent environmental issues from occurring at our suppliers’ sites. We also confirm that our 56 main suppliers are complying with environmental laws and regulations, and carry out initiatives to identify and address hazards.

In FY2019, autonomous inspections were carried out at 20 companies, and inspection visits were completed at 100% of the companies where they were planned. In the future, our management will work with our Safety, Health and Environment Department to visit our suppliers and give instructions.

When selecting new suppliers, we carry out careful investigations including investigations based on ISO 9001 and ISO14001, credit checks, quality audits and account checks.

Affiliated groups and involvement in initiatives

Aisin Seiki’s Executive Vice President and Executive Officers belong to the general committee and the procurement and production division is a member of the Working Group for the Handling of Conflict Mineral Regulations in the Procurement and Production Subcommittee of JAPIA’s procurement and production division. Through this work, AISIN Group gathers information and implements measures against conflict minerals in our supply chain.

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, AISIN 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 FY2019, AISIN Group enhanced its management of substances that have an environmental impact, based on the Green Procurement Guidelines, 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 our suppliers and had them disclose and register relevant information in a shared system for recording data on chemical substances.

AISIN Group is also engaged in initiatives as a group, such as making payments to all small- to medium-sized domestic suppliers in cash, with a view to achieving future-oriented trade practices with its suppliers. Additionally, AISIN Group has established a direct point for suppliers to make inquiries and seek advice on matters related to business ethics.

Building trust as a good business partner

AISIN Group provides its main suppliers with training support to improve their technical skills and strengthen their corporate framework. Aisin Seiki has established an apprenticeship program in Japan for our main suppliers, where future management from our main suppliers work in the division of their choice at Aisin Seiki, usually for two years. A total of 68 people have made use of this program. Employees are accepted based on the needs of the supplier.

In 2019, both AISIN Group and Aisin Seiki have started working with suppliers to improve the quality of their products and services. We are working to establish a quality management system for our suppliers to ensure that they meet our high standards. We are also working to establish a system for monitoring and evaluating supplier performance to ensure that our suppliers are meeting our expectations.

In FY2019, we gave 150 suppliers feedback about their compliance issues, and provided the support they needed to make continuous improvements by listing the issues discovered during our audit and creating an improvement plan. We work with our suppliers on compliance issues, and we are working to identify the cause of each issue and set a schedule for corrective action, then provide advice and check the supplier’s progress until the issue is resolved.

AISIN Group is also working to establish a clear and transparent procurement policy to ensure that our suppliers understand the expectations we have of them. We are also working to establish a system for monitoring and evaluating supplier performance to ensure that our suppliers are meeting our expectations.

In FY2019, we gave 150 suppliers feedback about their compliance issues, and provided the support they needed to make continuous improvements by listing the issues discovered during our audit and creating an improvement plan. We work with our suppliers on compliance issues, and we are working to identify the cause of each issue and set a schedule for corrective action, then provide advice and check the supplier’s progress until the issue is resolved.

Improving our suppliers’ skills

AISIN Group provides its main suppliers with training support to improve their technical skills and strengthen their corporate framework. Aisin Seiki has established an apprenticeship program in Japan for our main suppliers, where future management from our main suppliers work in the division of their choice at Aisin Seiki, usually for two years. A total of 68 people have made use of this program. Employees are accepted based on the needs of the supplier.

Aisin Seiki also provides suppliers with support in various safety activities, environmental activities and activities aiming to improve productivity and quality through the Aisin Suppliers Network, an organization formed to enable Aisin Seiki’s suppliers to learn from each other’s best practices and help each other to improve.

In FY2019, we continued the activities we worked on in FY2018, including training on cases under the Industrial Health and Safety Act and safety instruction.

Establishing a supply chain that is resilient to risks

With numerous disasters such as natural disasters and fires significantly impacting the stability of our production and procurement activities in recent years, AISIN Group has worked on a daily basis to ready itself for the occurrence of such disasters and to enable initial responses and recovery protocols to be implemented swiftly and reliably in the event of such incidents.

For many years, Aisin Seiki has worked to develop a supply chain management system that enables us to receive data on parts and raw materials purchased 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 FY2019, Aisin Seiki made use of this information to consider countermeasures for each individual product that it produces, envisaging the occurrence of various incidents. In particular, Aisin Seiki considered the level of impact on customers and formulated specific countermeasures to enable 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 to bolster our production and supply structure and increase its stability.

In FY2019, AISIN Group engaged in activities to promote greater mutual understanding with suppliers’ top-level management, with a focus on the prevention of water pollution. Through these activities, we identified issues in the workplace and linked these to various improvements. Looking ahead, AISIN Group will continue to engage in water pollution prevention activities with suppliers, with the aim of creating a positive upward spiral.

Measures against conflict minerals

Automakers listed on the U.S. stock exchange, which are Aisin Seiki’s end customers, are required to report to the U.S. Securities and Exchange Commission (SEC) regarding conflict minerals. In FY2019, AISIN Group once again worked with business partners and industry groups to conduct surveys to confirm the origin and history of minerals used in our products and ensure that conflict minerals are not used.
Social Contribution Activities

Initiatives to “Be With” local communities “Harmony with Society and Nature” is a core corporate principle of AISIN Group, with AISIN Group Principles of Corporate Behavior pledging to actively engage with society and contribute to sustainable development based on an awareness that companies are members of society.

Our activities are guided by the motto “Be With”. We work with local communities to build a richer society.

The three pillars of our social contribution activities

AISIN Group develops a wide range of social contribution activities together with our stakeholders, through the three pillars of protection of nature and the environment, nurturing 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

Tree-planting activities in Japan and China

In Japan, 13 main AISIN Group companies engage in tree planting activities on Mount Fuji every May. In China, AISIN Group has been working together with the public interest incorporated foundation Aise to conduct tree-planting activities in the XinHout district of the Inner Mongolia Autonomous Region. In May 2018, 54 employees from Japanese and overseas AISIN Group companies and 31 local junior high school students participated in these activities, planting approximately 110,000 saplings and learning the importance of tree planting through environmental education.

Protection of Nature and the Environment

AISIN Group promotes activities such as tree plantings and local cleanup activities.

“Aisin no Mori (Forest of Aisin)” forest development 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 development by planting rhododendrons in the area. AISIN 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 FY2019, a total of 403 employees and their families from 11 group companies joined the summer and fall events and learned the wonders of the environment in a fun way.

Nurturing Youth

AISIN Environmental Education Program

AISIN Group is working together with the NPO AKI-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 cities and towns where AISIN’s sites are located. To date, a total of about 26,850 students at 319 elementary schools have learned about the environment in a structured manner through the program, which focuses on topics such as forests, watershed environments, and living.

Outreach seminar on monozukuri (manufacturing)

AISIN Group conducts seminars on monozukuri involving classroom lectures and hands-on lessons that enable children to develop a scientific perspective through manufacturing. The seminars mainly consist of an outreach seminar on monozukuri, where we visit nearby local communities; AISIN Monozukuri Hidora (Manufacturing Forum) events in Karuizawa City; and weekend workshops held at the Toyota Commemorative Museum of Industry and Technology (Aichi Prefecture). Approximately 12,900 children have participated in 127 events on 28 themes held to date in 13 cities and towns around Aichi Prefecture.

Community Building and Development

Efforts to solve social issues

Aiding the activities of organizations supporting the employment of people with disabilities

Aisin Seiki, Aisin Takada, Aisin Shiryu, Hosei Brake Industry, AISIN Chemical, ADVICS, Aisin Kika and Aisin AW have been taking part in TABLE FOR TWO, an activity aiming to provide food to developing countries and eradicate obesity and lifestyle diseases in industrialized countries, with a focus on imbalances in world food consumption. In FY2019, the companies raised enough money to provide around 216,000 meals and achieved “Platinum Supporter” status, the highest level awarded by TFF, for the sixth consecutive year.

Spending on social contribution activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity costs</td>
<td>228</td>
</tr>
<tr>
<td>Donations</td>
<td>223</td>
</tr>
<tr>
<td>1. Social welfare</td>
<td>12</td>
</tr>
<tr>
<td>2. Health and medicine</td>
<td>32</td>
</tr>
<tr>
<td>3. Science, research and education</td>
<td>74</td>
</tr>
<tr>
<td>4. Culture, arts and sports</td>
<td>56</td>
</tr>
<tr>
<td>5. Coexistence with the environment</td>
<td>4</td>
</tr>
<tr>
<td>6. Support for regions affected by disasters</td>
<td>15</td>
</tr>
<tr>
<td>7. Other</td>
<td>24</td>
</tr>
</tbody>
</table>

Community Support

Projects to solve social issues

AISIN Group supports a broad range of initiatives that include the welfare of seniors with special needs, sports instruction, arts and cultural activities, and volunteering and learning.

Nurturing Youth

Initiatives to “Be With” local communities “Harmony with Society and Nature” is a core corporate principle of AISIN Group, with AISIN Group Principles of Corporate Behavior pledging to actively engage with society and contribute to sustainable development based on an awareness that companies are members of society.

Donations by AISIN Group to support the activities of NPOs

To deepen our trust relationships with local communities, AISIN Group raises money through charity concerts and employee donations to support organizations performing volunteer work and welfare activities. In FY2019, we supported 22 organizations in Aichi, Fukui, Toyama and Nagano prefectures.

Experiencing monozukuri

Project for refining automobile manufacturing (Kurumazukuri Kiwameru Project)

AISIN Group dispatches instructors to participate in a “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 also learning about vehicle structure and developing a sense of achievement and of doing a worthwhile job. In FY2019, 1,311 children enjoyed participating in fun monozukuri experiences through this project.
### Consolidated summary of financial and non-financial information over the last 11 years

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong> (¥)</td>
<td>2,214,492</td>
<td>2,054,474</td>
<td>2,257,436</td>
<td>2,304,168</td>
<td>2,529,964</td>
<td>2,822,215</td>
<td>2,964,619</td>
<td>3,245,178</td>
<td>3,245,985</td>
<td>3,562,622</td>
<td>3,908,937</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>-3,489</td>
<td>87,546</td>
<td>137,266</td>
<td>212,832</td>
<td>148,892</td>
<td>171,196</td>
<td>166,103</td>
<td>176,158</td>
<td>192,722</td>
<td>228,691</td>
<td>253,808</td>
</tr>
<tr>
<td><strong>Profit before income taxes</strong></td>
<td>-14,983</td>
<td>57,665</td>
<td>147,894</td>
<td>129,140</td>
<td>158,725</td>
<td>189,462</td>
<td>184,062</td>
<td>186,887</td>
<td>194,060</td>
<td>237,311</td>
<td>268,171</td>
</tr>
<tr>
<td><strong>Total equity (Net assets)</strong></td>
<td>814,506</td>
<td>871,889</td>
<td>917,704</td>
<td>969,307</td>
<td>1,136,343</td>
<td>1,328,503</td>
<td>1,532,776</td>
<td>1,477,990</td>
<td>1,558,468</td>
<td>1,694,864</td>
<td>1,803,129</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>3,713,689</td>
<td>1,981,988</td>
<td>1,978,225</td>
<td>2,073,836</td>
<td>2,248,100</td>
<td>2,471,935</td>
<td>2,684,816</td>
<td>2,521,188</td>
<td>2,948,188</td>
<td>2,374,460</td>
<td>2,114,393</td>
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<tr>
<td><strong>Depreciation</strong></td>
<td>182,057</td>
<td>169,667</td>
<td>144,831</td>
<td>137,577</td>
<td>139,220</td>
<td>149,018</td>
<td>168,213</td>
<td>186,217</td>
<td>186,197</td>
<td>197,168</td>
<td>213,430</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure</strong></td>
<td>115,994</td>
<td>101,102</td>
<td>111,430</td>
<td>121,449</td>
<td>135,067</td>
<td>144,383</td>
<td>149,132</td>
<td>162,635</td>
<td>162,635</td>
<td>167,719</td>
<td>182,900</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>220,223</td>
<td>83,821</td>
<td>133,283</td>
<td>150,798</td>
<td>195,032</td>
<td>204,736</td>
<td>247,815</td>
<td>294,188</td>
<td>294,188</td>
<td>237,449</td>
<td>260,315</td>
</tr>
<tr>
<td><strong>Total CO2 emissions (1,000t-CO2)</strong></td>
<td>73,201</td>
<td>73,213</td>
<td>74,671</td>
<td>78,212</td>
<td>83,378</td>
<td>89,531</td>
<td>94,748</td>
<td>102,623</td>
<td>110,357</td>
<td>114,478</td>
<td>119,732</td>
</tr>
<tr>
<td><strong>R&amp;D expenses to revenue ratio (%)</strong></td>
<td>5.2</td>
<td>4.9</td>
<td>4.9</td>
<td>5.3</td>
<td>5.3</td>
<td>5.1</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>114,668</td>
<td>303,788</td>
<td>273,627</td>
<td>167,291</td>
<td>256,343</td>
<td>286,606</td>
<td>239,771</td>
<td>292,193</td>
<td>294,184</td>
<td>408,64</td>
<td>36,427</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>-223,752</td>
<td>-331,630</td>
<td>14,833</td>
<td>-236,250</td>
<td>-265,405</td>
<td>-261,345</td>
<td>-237,260</td>
<td>-228,437</td>
<td>-229,346</td>
<td>-454,404</td>
<td>-3,734</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>75,743</td>
<td>34,817</td>
<td>-63,932</td>
<td>-66,537</td>
<td>-43,967</td>
<td>-1,886</td>
<td>-17,734</td>
<td>-77,163</td>
<td>-88,162</td>
<td>13,164</td>
<td>118</td>
</tr>
<tr>
<td><strong>Operating profit margin (%)</strong></td>
<td>-0.2</td>
<td>4.3</td>
<td>6.1</td>
<td>5.3</td>
<td>5.9</td>
<td>6.1</td>
<td>5.6</td>
<td>5.4</td>
<td>5.9</td>
<td>6.4</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure margin (%)</strong></td>
<td>35.8</td>
<td>33.1</td>
<td>34.7</td>
<td>35.0</td>
<td>38.1</td>
<td>38.6</td>
<td>39.6</td>
<td>38.5</td>
<td>38.8</td>
<td>37.0</td>
<td>37.1</td>
</tr>
<tr>
<td><strong>ROE (Ratio of profit for the period to equity attributable to owners of the parent (on Equity)) (%)</strong></td>
<td>-3.6</td>
<td>2.6</td>
<td>10.4</td>
<td>7.9</td>
<td>9.8</td>
<td>9.7</td>
<td>7.2</td>
<td>8.6</td>
<td>8.4</td>
<td>10.5</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>RISC (Return on invested Capital) (%)</strong></td>
<td>-0.3</td>
<td>6.1</td>
<td>10.8</td>
<td>9.0</td>
<td>11.6</td>
<td>11.4</td>
<td>9.0</td>
<td>9.7</td>
<td>9.8</td>
<td>11.5</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>100</td>
<td>91</td>
<td>86</td>
<td>79</td>
<td>100</td>
<td>110</td>
<td>120</td>
<td>111</td>
<td>120</td>
<td>109</td>
<td>111</td>
</tr>
<tr>
<td><strong>Total CO2 emissions (1,000t-CO2) and CO2 emissions per sales</strong></td>
<td>2,214,492</td>
<td>2,054,474</td>
<td>2,257,436</td>
<td>2,304,168</td>
<td>2,529,964</td>
<td>2,822,215</td>
<td>2,964,619</td>
<td>3,245,178</td>
<td>3,245,985</td>
<td>3,562,622</td>
<td>3,908,937</td>
</tr>
<tr>
<td><strong>Non-financial data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total CO2 emissions in transportation (1,000t-CO2)</strong></td>
<td>2,214,492</td>
<td>2,054,474</td>
<td>2,257,436</td>
<td>2,304,168</td>
<td>2,529,964</td>
<td>2,822,215</td>
<td>2,964,619</td>
<td>3,245,178</td>
<td>3,245,985</td>
<td>3,562,622</td>
<td>3,908,937</td>
</tr>
<tr>
<td><strong>Vac (t) emissions per sales</strong></td>
<td>1,919 / 100</td>
<td>2,126 / 99</td>
<td>2,077 / 96</td>
<td>2,305 / 98</td>
<td>2,474 / 96</td>
<td>2,521 / 92</td>
<td>2,579 / 87</td>
<td>2,579 / 87</td>
<td>2,579 / 87</td>
<td>2,579 / 87</td>
<td>2,579 / 87</td>
</tr>
<tr>
<td><strong>Revenue ratio of overseas locations (%)</strong></td>
<td>231 / 95</td>
<td>233 / 97</td>
<td>235 / 97</td>
<td>238 / 97</td>
<td>241 / 97</td>
<td>244 / 97</td>
<td>247 / 97</td>
<td>249 / 97</td>
<td>251 / 97</td>
<td>253 / 97</td>
<td>255 / 97</td>
</tr>
<tr>
<td><strong>Rate of disabling injuries occurring in the workplace (%)</strong></td>
<td>0.13</td>
<td>0.21</td>
<td>0.21</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
<td>0.16</td>
</tr>
</tbody>
</table>

1. Indicates Japanese accounting standards (JGAAP).
2. Figures converted to IFRS-based values are also provided.
3. As a reference, values for FY2016 are also provided in USD, converted at the exchange rate on March 31, 2019.

**References:**
1. From FY2015 onwards, consolidated financial reports have been prepared based on the International Financial Reporting Standards (IFRS). For FY2016, figures converted to IFRS-based values are also provided.
2. The revenue recognition standard has been changed from FY2016 onwards, figures shown for FY2015 were obtained by applying the accounting policy retrospectively.
3. The index used for emissions per sales is calculated as a percentage of the figure for the baseline year (FY2010) of targets set out in the Sixth Environmental Action Plan.
Analysis of financial condition, financial results and cash flow status by management

Overview of status of business results
The overview of the group’s financial condition, business results and cash flow status (hereafter “business results”) in the current consolidated fiscal year are as follows.

1. Status of financial condition and business results
The business environment surrounding the automobile industry in the current consolidated fiscal year showed a decline in new vehicle sales in large markets such as North America and China, and there was a decline worldwide over the previous period. However, sales in Japan increased over the previous period due to increased sales of new models. In these conditions, the group promoted efforts to strengthen its competitiveness, develop innovative technology and improve manufacturing capabilities, becoming an energetic company that can master competitiveness and propose new value.

Revenue was 4,043.1 billion yen, a 3.4% increase on the previous consolidated fiscal year (3,980.9 billion yen) and our highest yet. Although revenue declined due to a slowdown in the second half of the fiscal year in the Chinese market, sales of automatic transmission and body parts were strong in the first half.

Operating profit was 205.5 billion yen, a 19% decrease from the previous consolidated fiscal year (253.8 billion yen). Profit before income taxes was 217.4 billion yen, a 18.9% decrease from the previous consolidated fiscal year (268.1 billion yen). Profit attributable to the owners of the parent for the period was 110.1 billion yen, an 18.2% decrease from the previous consolidated fiscal year (134.5 billion yen). Despite factors that increased profit, such as increased sales and rationalization efforts, increased fixed costs such as quality-related expenditures, depreciation of prior investments and increased research and development costs outpaced profits, resulting in this decline.

Assets at the end of this consolidated fiscal year were 3,751.8 billion yen, a 6.3% increase over the end of the previous consolidated fiscal year (3,527.9 billion yen), due to an increase in property, plants and equipment. Debt at the end of this consolidated fiscal year was 1,873.6 billion yen, a 3.9% increase over the end of the previous fiscal year (1,803.1 billion yen).

Results by segment are as follows.
- **Aisin Seiki Group**
  - Revenue was 1,782.6 billion yen, a 0.4% increase over the previous consolidated fiscal year (1,776.2 billion yen), due to an increase in automobile body part sales. Operating profit was 67.0 billion yen, a 14.1% decrease over the previous consolidated fiscal year (78.0 billion yen). Despite factors that increased profit such as increased sales and rationalization efforts, increased fixed costs such as quality-related expenditures, depreciation of prior investments and increased research and development costs outpaced profits, resulting in this decline.

- **Aisin AW Group**
  - Revenue was 1,675.8 billion yen, a 3.4% increase of the previous consolidated fiscal year (1,621.2 billion yen). This was because although revenue declined due to a slowdown in the second half of the fiscal year in the Chinese market, sales of automatic transmission were strong in the first half. Operating profit was 103.6 billion yen, a 27.0% decrease over the previous consolidated fiscal year (141.9 billion yen), due to increased research and development costs and production preparation costs, despite factors that increased profit, such as rationalization efforts.

- **Aisin Takaoka Group**
  - Revenue was 320.7 billion yen, a 8.5% increase over the previous consolidated fiscal year (295.7 billion yen), due to an increase in sales to domestic and overseas customers. Operating profit was 18.5 billion yen, a 12.9% increase over the previous consolidated fiscal year (16.0 billion yen), due to an increase in sales and rationalization efforts.

- **ADVICS Group**
  - Revenue was 600.4 billion yen, a 2.4% increase over the previous consolidated fiscal year (586.5 billion yen), due to an increase in sales to domestic and overseas customers. Operating profit was 11.8 billion yen, a 17.1% increase over the previous consolidated fiscal year (10.1 billion yen), due to an increase in sales and rationalization efforts, despite factors that decreased profits, such as an increase in research and development costs.

- **Other**
  - Revenue was 235.7 billion yen, a 6.4% increase over the previous consolidated fiscal year (221.5 billion yen), and operating profit was 10.4 billion yen, a 16.4% decrease from the previous consolidated fiscal year (12.5 billion yen), due to an increase in sales to domestic and overseas customers.
2. Status of cash flow
Regarding the status of cash flow, the balance of cash and equivalents (hereafter "capital") for the current consolidated fiscal year shows an increase of 354.9 billion yen due to operating activities, a decrease of 414.4 billion yen due to investing activities, an increase of 13.1 billion yen due to financing activities and a decrease of 2.9 billion yen due to exchange differences on capital. The balance at the end of the current consolidated fiscal year was 357.1 billion yen, a 49.3 billion yen (12.1%) decrease from the end of the previous consolidated fiscal year (406.5 billion yen).

- **Cash flow due to operating activities**
  Capital gained from operating activities was 354.9 billion yen, a 43.3 billion yen (13.9%) increase over the previous consolidated fiscal year (311.5 billion yen). This was mainly due to an increase of 66.9 billion yen in trade and other payables as well as a decrease of 51.9 billion yen in trade and other receivables, despite a decrease in profit before income taxes of 50.6 billion yen and an increase of 26.5 billion yen in inventories.

- **Cash flow due to investment activities**
  Capital gained from investing activities was 414.4 billion yen, a 185.1 billion yen (80.7%) increase over the previous consolidated fiscal year (229.3 billion yen). This was mainly due to an increase of 121.8 billion yen in purchasing of property, plants and equipment, an increase of 42.0 billion yen in saving accounts as well as an increase of 11.0 billion yen in purchasing of investment securities.

- **Cash flow due to financing activities**
  Capital gained from financing activities were 13.1 billion yen, an 86.7 billion yen (117.9%) increase over the previous consolidated fiscal year (73.6 billion yen decrease). This was mainly due to an increase of 39.7 billion yen in the balance of loans and repayment and a decrease of 59.4 billion yen in acquisition of treasury stock, despite an increase of 9.9 billion yen in redemption of bonds.

### Consolidated statements of financial position

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>406,508</td>
<td>357,195</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>621,863</td>
<td>620,630</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>88,575</td>
<td>137,433</td>
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<tr>
<td>Inventories</td>
<td>295,787</td>
<td>341,506</td>
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<td>Other current assets</td>
<td>51,093</td>
<td>66,722</td>
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<td>Total current assets</td>
<td>1,463,828</td>
<td>1,523,488</td>
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<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
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<tr>
<td>Property, plant and equipment</td>
<td>1,294,225</td>
<td>1,479,621</td>
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<tr>
<td>Intangible assets</td>
<td>40,045</td>
<td>40,702</td>
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<tr>
<td>Investments accounted for using the equity method</td>
<td>112,979</td>
<td>107,584</td>
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<td>Other financial assets</td>
<td>485,108</td>
<td>449,382</td>
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<td>Deferred tax assets</td>
<td>109,646</td>
<td>120,525</td>
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<tr>
<td>Other non-current assets</td>
<td>22,075</td>
<td>29,707</td>
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<td>Total non-current assets</td>
<td>2,044,082</td>
<td>2,228,392</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,527,910</td>
<td>3,751,880</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>796,318</td>
<td>850,616</td>
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<td>Bonds and loans payable</td>
<td>86,893</td>
<td>86,148</td>
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<td>Other financial liabilities</td>
<td>37,381</td>
<td>38,416</td>
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<td>Provisions</td>
<td>25,660</td>
<td>23,703</td>
</tr>
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<td>Income tax payables</td>
<td>30,083</td>
<td>29,664</td>
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<td>Other current liabilities</td>
<td>1,010,112</td>
<td>1,051,748</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,010,112</td>
<td>1,051,748</td>
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<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and loans payable</td>
<td>430,650</td>
<td>524,193</td>
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<tr>
<td>Other financial liabilities</td>
<td>9,603</td>
<td>9,212</td>
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<td>Retirement benefit liabilities</td>
<td>190,679</td>
<td>215,946</td>
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<td>Provisions</td>
<td>3,650</td>
<td>5,446</td>
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<td>Deferred tax liabilities</td>
<td>72,206</td>
<td>62,222</td>
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<tr>
<td>Other non-current liabilities</td>
<td>7,879</td>
<td>9,482</td>
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<td><strong>Total non-current liabilities</strong></td>
<td>714,669</td>
<td>826,504</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>3,527,910</td>
<td>3,751,880</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
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<tr>
<td>Capital stock</td>
<td>45,049</td>
<td>45,049</td>
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<tr>
<td>Capital surplus</td>
<td>71,826</td>
<td>70,433</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>115,835</td>
<td>115,844</td>
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<tr>
<td>Other components of equity</td>
<td>147,874</td>
<td>121,429</td>
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<tr>
<td>Retained earnings</td>
<td>1,161,260</td>
<td>1,228,224</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company</td>
<td>1,310,176</td>
<td>1,346,902</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>492,952</td>
<td>526,725</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,803,129</td>
<td>1,873,627</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>3,527,910</td>
<td>3,751,880</td>
</tr>
</tbody>
</table>
## Consolidated financial statements

### Consolidated statements of income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,908,937</td>
<td>4,043,110</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>–3,371,980</td>
<td>–3,545,278</td>
</tr>
<tr>
<td>Gross profit</td>
<td>536,957</td>
<td>497,832</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>–289,542</td>
<td>–306,591</td>
</tr>
<tr>
<td>Other income</td>
<td>18,408</td>
<td>27,186</td>
</tr>
<tr>
<td>Other expenses</td>
<td>–12,014</td>
<td>–12,865</td>
</tr>
<tr>
<td>Operating profit</td>
<td>253,808</td>
<td>205,562</td>
</tr>
<tr>
<td>Finance income</td>
<td>14,241</td>
<td>15,742</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>–12,083</td>
<td>–11,335</td>
</tr>
<tr>
<td>Equity in earnings of affiliates</td>
<td>12,204</td>
<td>7,517</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>268,171</td>
<td>217,486</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>–72,825</td>
<td>–8,361</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>195,346</td>
<td>159,124</td>
</tr>
</tbody>
</table>

Profit for the period attributable to:

- Owners of the parent: 134,551
- Non-controlling interests: 60,794

**Total:** 195,346

### Consolidated statements of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>195,346</td>
<td>159,124</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>–1,945</td>
<td>–6,715</td>
</tr>
<tr>
<td>Net changes in revaluation of financial assets measured at fair value through other comprehensive income</td>
<td>35,453</td>
<td>–25,584</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates accounted for using the equity method</td>
<td>31</td>
<td>–163</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,540</td>
<td>–32,463</td>
</tr>
</tbody>
</table>

Other comprehensive income subsequent to profit or loss |                                        |                                            |
| Net changes in revaluation of financial assets measured at fair value through other comprehensive income | 181                                       | –122                                       |
| Cash flow hedges       | 581                                        | 180                                        |
| Exchange differences on translating foreign operations | 4,687                                     | –1,274                                     |
| Share of other comprehensive income of associates accounted for using the equity method | –841                                      | 314                                        |
| **Total**              | 4,609                                      | –902                                       |

**Other comprehensive income total:** 38,149

**Comprehensive income for the period:** 233,495

**Comprehensive income for the period attributable to:**

- Owners of the parent: 170,091
- Non-controlling interests: 63,404

**Total:** 233,495

### Consolidated statements of changes in equity

<table>
<thead>
<tr>
<th></th>
<th>(Unit: million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>45,049</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>–</td>
</tr>
<tr>
<td>Changes in the ownership interest in subsidiaries</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income of associates accounted for using the equity method</td>
<td>4,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,960</td>
</tr>
</tbody>
</table>

**Balance at end of period:** 45,049

<table>
<thead>
<tr>
<th></th>
<th>(Unit: million yen)</th>
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</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>1,161,260</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>–</td>
</tr>
<tr>
<td>Changes in the ownership interest in subsidiaries</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>–</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>110,123</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>78,941</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>189,064</td>
</tr>
</tbody>
</table>

**Balance at end of period:** 1,250,324

Note: Figures here are rounded to the indicated unit by truncation.
## Consolidated statements of cash flows

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unit: million yen)</td>
<td>(Unit: million yen)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>268,171</td>
<td>217,486</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>213,430</td>
<td>226,418</td>
</tr>
<tr>
<td>Decrease (increase) in trade and other receivables</td>
<td>–47,194</td>
<td>4,758</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>–15,959</td>
<td>–42,520</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>–26,007</td>
<td>40,903</td>
</tr>
<tr>
<td>Other, net</td>
<td>–6,048</td>
<td>–21,246</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>391,776</td>
<td>425,799</td>
</tr>
<tr>
<td>Interest income received</td>
<td>2,537</td>
<td>2,689</td>
</tr>
<tr>
<td>Dividend income received</td>
<td>14,690</td>
<td>16,287</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>–7,030</td>
<td>–7,513</td>
</tr>
<tr>
<td>Income taxes (paid) refund</td>
<td>–90,431</td>
<td>–82,321</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>311,542</td>
<td>354,942</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in time deposits</td>
<td>–1,210</td>
<td>–43,266</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>–255,245</td>
<td>–377,075</td>
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<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>6,318</td>
<td>6,185</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>–10,004</td>
<td>–13,528</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>–8,194</td>
<td>–19,219</td>
</tr>
<tr>
<td>Proceeds from sales and redemption of investment securities</td>
<td>20,107</td>
<td>18,703</td>
</tr>
<tr>
<td>Proceeds from collection of lease receivables</td>
<td>15,837</td>
<td>15,743</td>
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<tr>
<td>Other, net</td>
<td>3,045</td>
<td>–2,037</td>
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<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>–229,346</td>
<td>–414,494</td>
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<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term bank loans and commercial papers</td>
<td>4,392</td>
<td>4,409</td>
</tr>
<tr>
<td>Proceeds from long-term loans payable</td>
<td>69,751</td>
<td>119,635</td>
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<tr>
<td>Repayment of long-term loans payable</td>
<td>–30,872</td>
<td>–41,063</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>20,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>–35</td>
<td>–10,017</td>
</tr>
<tr>
<td>Repayment of lease payables</td>
<td>–11,998</td>
<td>–12,792</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>–59,465</td>
<td>–10</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>–37,437</td>
<td>–40,456</td>
</tr>
<tr>
<td>Cash dividends paid to non-controlling interests</td>
<td>–24,387</td>
<td>–21,521</td>
</tr>
<tr>
<td>Other, net</td>
<td>–3,582</td>
<td>2,980</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>–73,634</td>
<td>13,164</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>3,386</td>
<td>–2,524</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>11,949</td>
<td>–49,312</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>394,559</td>
<td>406,508</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>406,508</td>
<td>357,195</td>
</tr>
</tbody>
</table>

## Major shareholders

<table>
<thead>
<tr>
<th>Shareholder’s name</th>
<th>Number of shares held (thousand shares)</th>
<th>Voting ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor Corporation</td>
<td>66,863</td>
<td>24.81</td>
</tr>
<tr>
<td>Toyota Industries Corporation</td>
<td>20,711</td>
<td>7.68</td>
</tr>
<tr>
<td>DENSO Corporation</td>
<td>12,964</td>
<td>4.81</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (trust account)</td>
<td>11,430</td>
<td>4.24</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account)</td>
<td>10,263</td>
<td>3.80</td>
</tr>
<tr>
<td>Towa Real Estate Co., Ltd.</td>
<td>6,344</td>
<td>2.35</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>6,300</td>
<td>2.33</td>
</tr>
<tr>
<td>Sompo Japan Nipponkoa Insurance Inc.</td>
<td>3,700</td>
<td>1.37</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>3,675</td>
<td>1.36</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 9)</td>
<td>3,617</td>
<td>1.34</td>
</tr>
</tbody>
</table>

(Note) 1. The table above excludes 25,184,000 shares of treasury stock held by Aisin Seki Co., Ltd.
2. The voting ratio has been calculated by deducting the treasury stock from issued and outstanding common stock.

## Distribution of shares

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares held (thousand shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor Corporation</td>
<td>66,863</td>
</tr>
<tr>
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<tr>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (trust account 9)</td>
<td>3,617</td>
</tr>
</tbody>
</table>

## Stock price transition/total shareholder returns (TSR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock price*</th>
<th>Dividend (yen)</th>
<th>Total shareholder returns*%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/3</td>
<td>3,955</td>
<td>150</td>
<td>122.8</td>
</tr>
<tr>
<td>2018/3</td>
<td>5,780</td>
<td>150</td>
<td>167.8</td>
</tr>
<tr>
<td>2017/3</td>
<td>5,470</td>
<td>125</td>
<td>155.4</td>
</tr>
<tr>
<td>2016/3</td>
<td>4,240</td>
<td>100</td>
<td>119.1</td>
</tr>
<tr>
<td>2015/3</td>
<td>3,675</td>
<td>95</td>
<td>119.6</td>
</tr>
<tr>
<td>2014/3</td>
<td>3,725</td>
<td></td>
<td>119.6</td>
</tr>
</tbody>
</table>

*1 Stock prices indicate values at the end of the fiscal year
*2 Calculated based on March 2014

### Notes
- The table above excludes 25,184,000 shares of treasury stock held by Aisin Seki Co., Ltd.
- The voting ratio has been calculated by deducting the treasury stock from issued and outstanding common stock.
Aisin Seiki Co., Ltd.
Develops the automobile part business as the core company of the Aisin Group. Also utilizes technologies cultivated in the production of vehicles to develop business in various fields such as energy and housing and lifestyles.

Head Office: 2-1 Aishi-machi, Kariya, Aichi, Japan
Telephone: +81-566-24-8441
Website: https://www.aisin.com

Aisin Takaoka Co., Ltd.
As one of the largest manufacturers of casting plastic working in the world, develops and manufactures various automobile parts using materials such as iron and stainless steel.

Head Office: 1-104 Ikaboso-machi, Takaoka, Toyama, Japan
Representative: Nobuaki Uchida, President
Sales: ¥20,088 billion (consolidated), ¥19,340 billion (non-consolidated)
Employees: 11,699 (consolidated), 2,557 (non-consolidated)
Business: Casting of iron, machining, plastic working and design, manufacturing and sale of automotive parts

Aisin Chemical Co., Ltd.
The only dedicated manufacturer of chemical products in the group. Develops and manufactures friction material, disc brake pads, and resin parts, as well as chemical products such as automobile coating agents, adhesives, and damping materials.

Head Office: 1-1141 Ikawakakata, Fukuoka-cho, Toyohashi, Aichi, Japan
Representative: Shigeki Fujii, President
Sales: ¥168.506 billion (consolidated), ¥153.804 billion (non-consolidated)
Employees: 2,204 (consolidated), 3,123 (non-consolidated)
Businesses: Development, design, manufacture and sale of chemical products, friction materials and resin parts

Aisin AW Co., Ltd.
The top manufacturer of transmissions. Utilizes transmission and position information technologies cultivated in the past to contribute to the safety, comfort, and environment of the motorized society, and always aims for cutting edge technologies such as electrification and connectivity.

Head Office: 10 Sakanoue, Fuji-cho, Ami, Aichi, Japan
Representative: Kazuhisa Ohara, President
Sales: ¥17,871 billion (consolidated), ¥17,369 billion (non-consolidated)
Employees: 14,976 (consolidated), 19,093 (non-consolidated)
Businesses: Development, design, manufacture and sale of AT, hybrid systems, MT, transfer case and car navigation systems

Aisin Keikinzoku Co., Ltd.
A manufacturer that plans, develops, and produces mostly automobile parts based on aluminum materials. Works on the development of various materials and products in order to achieve lightweight products, safety, and environmental conservation.

Head Office: 12-3 Nagaden, Inzui, Tochigi, Japan
Representative: Yoshikazu Fukunaga, President
Sales: ¥67,051 billion (consolidated), ¥75,541 billion (non-consolidated)
Employees: 2,241 (consolidated), 2,290 (non-consolidated)
Businesses: Manufacture of aluminum die-cast products for automotive parts and aluminum-remolded molded products

Aisin Development Co., Ltd.
As the only developer in the group, contributes to the creation of a better social environment via the construction business, urban development business, and insurance business.

Head Office: 3-3 Aishin-cho, Kariya, Aichi, Japan
Representative: Yoshihiro Kuno, President
Sales: ¥72.868 billion (consolidated), ¥67.03 billion (non-consolidated)
Employees: 511 (consolidated), 398 (non-consolidated)
Businesses: General contracts, real estate, revitalization and long-term merchandise, insurance agency

Aisin Kiko Co., Ltd.
Manufactures drive system components by utilizing precision machining technologies such as cutting and plastic working, as well as flexible assembly that can handle multiple models.

Head Office: 70-4-1 Berga, Tamakura, Kita-cho, Ashi, Aichi, Japan
Representative: Makoto Horio, President
Sales: ¥118.713 billion (consolidated), ¥108.061 billion (non-consolidated)
Employees: 1,255 (consolidated), 3,104 (non-consolidated)
Businesses: Manufacture of functional automatic transmission components, drive system-related and body-related components

Aisin Sin’ei Co., Ltd.
Utilizes a consistent production system to manufacture various vehicle exterior parts and functional components. Pursues further improvements to the top core technologies in the industry (plastic working, resin forming, and coating).

Head Office: 2-8-12 Konan-machi, Herbis, Ashin, Aichi, Japan
Representative: Shigeki Kodama, President
Sales: ¥45.769 billion (consolidated), ¥46.324 billion (non-consolidated)
Employees: 1,429 (consolidated), 1,416 (non-consolidated)
Businesses: Stamping of automotive parts, painting and manufacture of body-related components

Aisin AW Industries Co., Ltd.
Handles the production of transmission components and torque converters, which are the heart of automatic transmissions.

Head Office: 38 Tanakumachi-cho, Echizen, Fukui, Japan
Representative: Katsuhito Ota, President
Sales: ¥180.77 billion (consolidated), ¥188.77 billion (non-consolidated)
Employees: 3,290 (consolidated), 3,003 (non-consolidated)
Businesses: Development and manufacture of AT components

Hosei Brake Industry Co., Ltd.
Boasts a production capacity equal to the top brake component manufacturers in the world, and handles products that utilize press and sealing technologies.

Head Office: 10 Mikigawa, Kagen-cho, Toyota, Aichi, Japan
Representative: Shuzo Matsutani, President
Sales: ¥70.855 billion (consolidated), ¥66.525 billion (non-consolidated)
Employees: 2,332 (non-consolidated), 1,340 (non-consolidated)
Businesses: Manufacture of drum brakes, disc brakes, brake housings and other automobile parts

ADVICS Co., Ltd.
As a global manufacturer of brake systems, develops and produces safe and measuring products that are provided to please our customers over the world.

Head Office: 2-1 Showa-cho, Kariya, Aichi, Japan
Representative: Tetsuo Oka, President
Sales: ¥500.464 billion (consolidated), ¥505.186 billion (non-consolidated)
Employees: 11,056 (consolidated), 9,304 (non-consolidated)
Businesses: Development, design, manufacture and sale of automobile brake systems and their components

Shiroki Corporation
Manufactures automobile parts such as window regulators, door frames, and seats. Also manufactures seats for rail vehicles.

Head Office: 35-1 Shimotsuka, Osaki-cho, Toyohara, Aichi, Japan
Representative: Yoshitaka Oka, President
Sales: ¥70.739 billion (consolidated), ¥70.392 billion (non-consolidated)
Employees: 4,418 (consolidated), 3,240 (non-consolidated)
Businesses: Automotive interior functional parts, body exterior parts, production of seats for sale vehicles

Art Metal Mfg. Co., Ltd.
In addition to the design and manufacturing of products, handles design to manufacturing of producers to provide pistons that boast the highest level of technology in the world.

Head Office: 2-2-43 Tokiwagi, Ueda, Nagano, Japan
Representative: Shuzo Ishida, President
Sales: ¥48.267 billion (consolidated), ¥36.88 billion (non-consolidated)
Employees: 1,412 (consolidated), 1,023 (non-consolidated)
Businesses: Development, design, manufacture and sale of pistons for gasoline engines, pistons for diesel engines and piston pins