

January 27, 2020

Notice Regarding Issuance of Publicly Offered Hybrid Bonds (Subordinated Bonds)

Aisin Seiki Co., Ltd. (AI) hereby announces that today it filed with the Director-General of the Kanto Local Finance Bureau an amended shelf registration statement regarding the public offering of hybrid bonds (subordinated bonds) (the “Hybrid Bonds”) issuance.

1. Purpose and Background of the Issuance

As announced in our release on October 31, 2019 titled “Management Integration of Aisin Seiki and Aisin AW,” Aisin AW Co., Ltd. (AW), a subsidiary of AI, and Toyota Motor Corporation (TMC), have agreed that AW will acquire all of the AW shares held by TMC (the “Transaction”).

Also, as announced in our separate release on the same day titled “Notice Regarding Filing of Shelf Registration Statement for Corporate Bonds,” AI recognizes necessity of financial arrangements for the Transaction and other purposes.

Today, AI has decided to issue the Hybrid Bonds after considering necessary amount of hybrid financing and so on, following our financial strategy based on the fundamental policy of maintaining a balance between financial safety and capital efficiency while raising corporate value.

The financing through the Hybrid Bonds and hybrid loans is aimed at total approximately JPY250bn. The size of the Hybrid Bonds will be determined after comprehensively taking into account market demand, interest rate trends and other conditions.

2. Features of the Hybrid Bonds

The Hybrid Bonds have features of both debt and equity, containing features similar to equity such as optional deferral of interest payment, extremely long-term redemption periods and subordination in liquidation or bankruptcy proceedings. Therefore it is expected that rating agencies (Rating and Investment Information, Inc. and S&P Global Ratings Japan Inc.) will assign an intermediate equity content of 50%.

For an overview of the Hybrid Bonds, please see the amended shelf registration statement submitted today to the Director-General of the Kanto Local Finance Bureau.

If AI is to redeem or purchase the Hybrid Bonds before maturity (the “Early Redemption”), AI intends to replace them with financial products whose equity attributes is no less than that of the principal to be redeemed (the amount calculated by multiplying the principal amount of the Hybrid Bonds to be redeemed by the equity content (expected to 50%) approved by the rating agencies), within the period of 360 days prior to the Early Redemption.

If the Early Redemption is scheduled on or after the first call date, AI may redeem or purchase the Hybrid Bonds without the replacement financing, complying with capital requirements, including the following:

(i) Current capitalization ratio^{*1,*2} \leq Capitalization ratio as of the end of December 2019^{*1,*3}

(ii) Equity attributable to owners of the parent company^{*2}

\geq Equity attributable to owners of the parent company as of the end of December 2019^{*3} +
Cumulative amount of the Early Redemption

*1 Capitalization ratio = interest bearing debt (bonds, loans and lease liabilities)
/ shareholders' equity (net assets) + interest bearing debt

Note: This press release is intended for information purpose only and is not a solicitation or offer to buy or sell securities or related financial instruments.

- *2 Each financial indicator is calculated based on the latest published consolidated statements of financial position at a time of the Early Redemption
- *3 Each financial indicator is calculated based on the latest published consolidated statements of financial position at a time of pricing of the Hybrid Bonds

3. Schedule

For the offering, AI has designated Nomura Securities Co., Ltd., SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Daiwa Securities Co. Ltd. as joint lead managers. Timing of the issuance and other terms and conditions will be determined after considering relevant factors such as investor demand and interest rate trends. AI will announce the decision as soon as it is made.