



Making the present society more convenient

INTEGRATED REPORT **2024**

For the Year Ended March 31, 2024

Aisan

Aisan Group's Principles

Vision of the Company

Specific long-term policies aimed at solving social issues and achieving sustainable growth in order to realize our principles

Medium-term policy that sets the company's vision for 2030 in conjunction with the Sustainability Fundamental Policy

Specific actions to realize VISION2030

Management Principles

Management Principles

1. Creating products and services with the focus on customers
2. Achieving "good quality" with innovative thinking and technology
3. Building a vital workplace with respect for individual employees

Sustainability Fundamental Policy

Sustainability Fundamental Policy

Based on its Management Principles, the Aisan Group will keep on providing solutions to social challenges and contribute to the sustainable development of society through our global business operations. Aisan will create new values with our time-proven technology and quality to meet our stakeholders' expectations and improve our corporate value in a sustainable manner.

VISION2030

VISION2030

Medium-term Management Plan

Beaming future is in our hands

We contribute to society through global growth and environmental preservation

Creating new values with proven technology and quality to enrich the society. Making the present society more convenient, bringing happiness to future generations.

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Editorial Policy:

What We Want to Communicate in the Integrated Report 2024

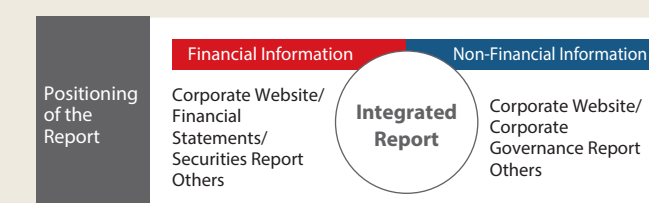
This Integrated Report is a tool to concisely provide information on Aisan Industry's medium- to long-term value creation story from both perspectives of financial information and non-financial information, which form the foundation of our sustainable growth. In fiscal 2023, based on feedback from institutional investors, we have organized our principles in the Introduction to better present our vision and more clearly outline our path to "taking on the challenge to become the top manufacturer of environmental technologies" in an easy-to-understand manner. In addition, in order to fulfill our responsibility as a global company, we have strengthened disclosure of materiality and disclosure of approaches to corporate value creation based on the ROIC tree, with a view to disclosing information required by the capital markets.

Going forward, we will continue to enhance the volume and quality of information disclosure in response to input and feedback received through our business activities and investor relations activities. We look forward to receiving continued feedback from stakeholders.

Reporting Period	April 1, 2023 to March 31, 2024 (some sections contain information from April 2024 onward).
Scope of Report	Aisan Industry Co., Ltd. and the Aisan Group

Reference Guidelines

- ◎ International Integrated Reporting Framework published by the Value Reporting Foundation (VRF)
- ◎ The Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry.



Forward-Looking Statements

This report contains forward-looking statements based on our future outlook and plans. Please note that these statements include risks and uncertainties and may differ from actual results and performance.

Management Principles: Valued Corporate Cultures

We contribute to society through global growth and environmental preservation

We believe that corporate prosperity and social prosperity are interconnected, and we not only pursue profits, but also conduct business activities that are responsible to society and are environmentally conscious. Not only is this a step toward the sustainable development of society, but it is also an important factor in our own continued growth.



1

Creating products and services with the focus on customers

We offer proposals and manufacturing that exceed our customers' expectations in order to contribute to society through the growth of our business. We aim to create new value throughout the value chain by anticipating customer needs, and to create a prosperous society that is environmentally friendly.

2

Achieving good quality with innovative thinking and technology

We are always diligent in the development and research of new technologies and strive to develop both high quality manufacturing and products that contribute to society in the environmental sector. In order to continue to be trusted by our customers for being a quality provider, we will continue to pursue improvements in product performance and quality by leveraging our knowledge and technology.

3

Building a vital workplace with respect for individual employees

We consider the employees we work with to be an important asset, and we aim to build a positive and vibrant workplace environment where each and every person working for the Aisan Group can find fulfillment in their work, grow, and play an active role. We will also foster a culture where employees can freely express their own ideas and opinions, thereby promoting the growth of both the company and its employees.

PHILOSOPHY

Sustainability Fundamental Policy

Sustainability management practiced by the Aisan Group

For more than 80 years since its establishment, the Aisan Group has achieved growth by overcoming many changes through dedicated technological refinement to meet the changing markets of the social environment and stricter regulations. The spirit to challenge ourselves and pride in quality that we have cultivated throughout our history has been passed down to the present as the identity of the Aisan Group. Even in the midst of current social trends and changes in the automotive industry, we will carry on this spirit and contribute to society through business transformation.

Sustainability Fundamental Policy

Based on its Management Principles, the Aisan Group will keep on providing solutions to social challenges and contribute to the sustainable development of society through our global business operations.

Aisan will create new values with our time-proven technology and quality to meet our stakeholders' expectations and improve our corporate value in a sustainable manner.



SUSTAINABILITY

Values we create through our business

Mobility

Providing a clean and safe mobility for all

We have supported the evolution of mobility by leveraging our expertise in environmental technologies to achieve lower fuel consumption, lighter components, and cleaner emissions. In the diversification of mobility, we will contribute to the joy and pleasure of mobility by manufacturing that focuses on "good quality, low cost" products. In order to contribute to the sustainable development of mobility through our global business activities, the Aisan Group aims to create new value with reliable technology and quality, meet the expectations of our stakeholders, and enhance our corporate value.

For the future society

Creating a "+1" value to enrich and improve the liveability of society

We have addressed precision control for CO₂ reduction in the fossil fuel-based mobility sector with all kinds of functional products.

Utilizing the technologies we have developed over the years to control the flow of liquids and gases and to clean exhaust gases, we will advance efforts to generate and utilize new energy sources such as hydrogen and ammonia more efficiently, without being limited to the framework of mobility. Our goal is to make the future sustainable society one that is more prosperous and brimming with smiles, while minimizing the burden on the environment through efforts to build a decarbonized society. As such, we will apply our technology in a wider range of sectors for sustainable development that will last for generations to come.

Foundation for practical application

Aisan Group's identity and strength

Have overcome transformations

Spirit of challenging ourselves



Supporting critical functional components

Pride in being a quality provider



Responding to waves of tighter regulations

Environmental technology



For all our stakeholders

Honest and dedicated corporate attitude



Manufacturing

Aisan's Strengths

Product development/
Control technology

System development/
Engineering

VISION2030

Vision of the Aisan Group

"In our hands" in VISION2030 signifies the determination of each and every employee to "take ownership and make it our personal mission."

And the word "beaming" reflects our desire that our products are needed by our customers, connecting us to them with beaming smiles, and nurturing the smiles of the children who will lead the next generation.

We will continue to challenge ourselves and innovate to remain a company needed by society.



Strategy looking ahead to 2030
(Medium-term Management Plan)

Source of growth

Strengthening of competitiveness and further growth of existing powertrain product business

New growth investment

Business growth in new areas which contribute to decarbonization leveraging technological and manufacturing capabilities

Management Principles

▶ See pages 39–40

Continue to support the powertrain sector as a top manufacturer

Providing a clean and safe mobility for all

Top environmental technology

Creating a "+1" value to enrich and improve the liveability of society

Developing and producing products for all energy sources by leveraging our strengths, which are our technological and manufacturing capabilities

VISION2030

Beaming future is in our hands

Creating new values with proven technology and quality to enrich the society. Making the present society more convenient, bringing happiness to future generations.

Vision

VISION2030

We have always kept abreast of the changing times and responded to market expectations in line with the needs of the times. We will continue to bring about new changes in the future, overcoming the advent of motorization, emission regulations, and the waves of electrification.

AISAN GROUP HISTORY



Becoming an automotive parts manufacturer to meet private sector demand

Aisan Industry, established as a factory for manufacturing military supplies in 1938, produced Type 89 Grenade Dischargers and aircraft parts. After World War II, we took over the manufacturing of carburetors from Toyoda Automatic Loom Works, Ltd. (currently, Toyota Industries Corporation) and became a private-sector manufacturing company of automotive parts in 1946. Aisan Industry contributed to motorization as a company known for its carburetors through the rapid growth of carburetor production, while meeting increasingly strict environmental regulations. We acquired a wide variety of production technologies and expertise, including precision processing and aluminum die casting.

Shifting core business from carburetor to EFI products

With the gradual tightening of gas emission regulations in various countries, the electrification and advanced functionalities of automobiles progressed. As a result, Aisan Industry shifted its main business from carburetors to electronic fuel injection (EFI) products. Utilizing carburetor technology, we expanded our EFI product range to include fuel systems and intake and exhaust systems. Furthermore, we acquired the engine calibration business from Toyota Motor Corporation, accumulating evaluation technology and know-how for the entire vehicle to strengthen and expand our development capabilities for engine control system manufacturers.

Developing the world’s best products and responding to globalization

For our core EFI products, we promoted the development of the world’s best products, pursuing higher efficiency, smaller size, and lighter weight. In addition, we have developed products that contribute to fuel efficiency and products compatible with clean energy sources such as LPG and hydrogen, contributing to the creation of environmentally friendly cars. Following the overseas expansion of automobile manufacturers, we opened production bases in the Americas, China, Korea, ASEAN, India, and Europe to establish a global production and supply structure. We contributed to society and the environment in each country and region through our products and vehicles.

Overcoming a period of major transformation and contributing to the future of mobility and society

In response to the once-a-century transformation of the automotive industry, we formulated VISION2030 as a medium- to long-term policy, and Medium-term Management Plan, with the aim of contributing to society through technology and manufacturing and providing useful value. We will continue to support powertrain products of automobiles and contribute to society by leveraging environmental technology, which is our field of expertise. We have also contributed to the further evolution of mobility, including electrification and clean energy. Beyond mobility, we also take on the challenge of enriching the society that is easy to live in with our hydrogen and ammonia technologies and manufacturing capabilities.



- 1938

Established in Nagoya for manufacturing of military supplies
- 1945

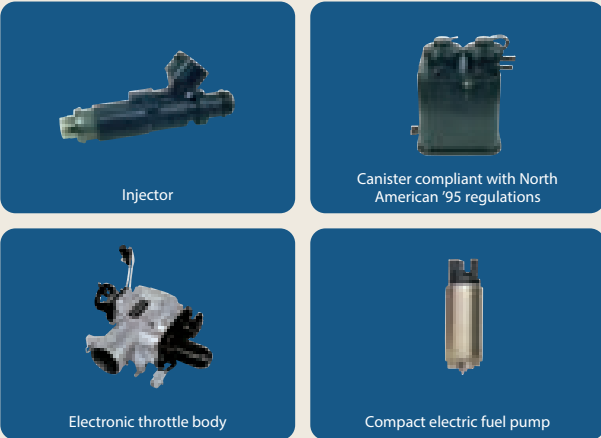
Started production of automobile parts such as carburetors at the end of the war
- 1957

Relocated headquarters and plant to Obu, Aichi
- 1960

Started production of engine valves
- 1971

Anjo Plant began operations
- 1980

Listed on the Second Section of the Nagoya Stock Exchange



- 1981

Started production of throttle bodies
- 1983

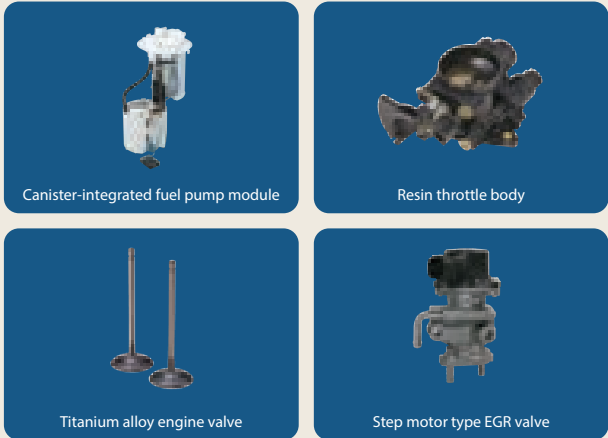
Started production of electric fuel pump
- 1984

Started production of injectors
- 1989

Established a manufacturing subsidiary in the USA
- 1990

Toyota Plant began operations
- 1996

Started engine calibration operations



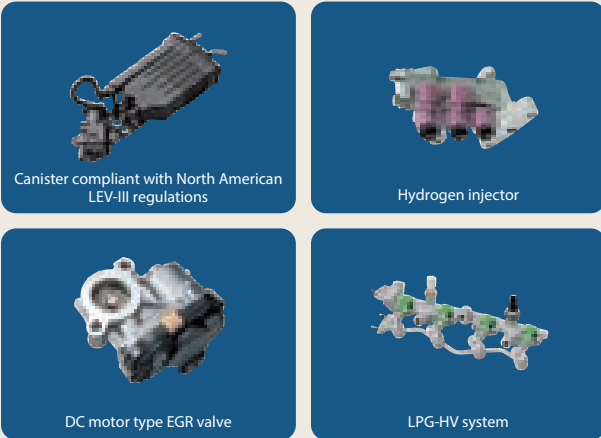
- 2001

Reassigned to the First Section of the Tokyo and Nagoya Stock Exchanges
- 2002

Developed fuel injection system for small motorcycles
Established a manufacturing subsidiary in India
- 2013

Established a manufacturing subsidiary in Mexico
- 2017

Hirose Technical Center began operations
Developed and produced LPG-HV systems for Toyota



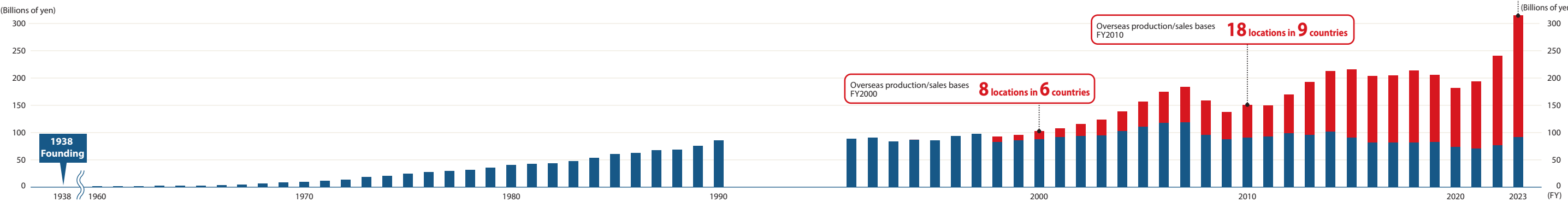
- 2020

Developed hydrogen FI system for Toyota FCV
- 2021

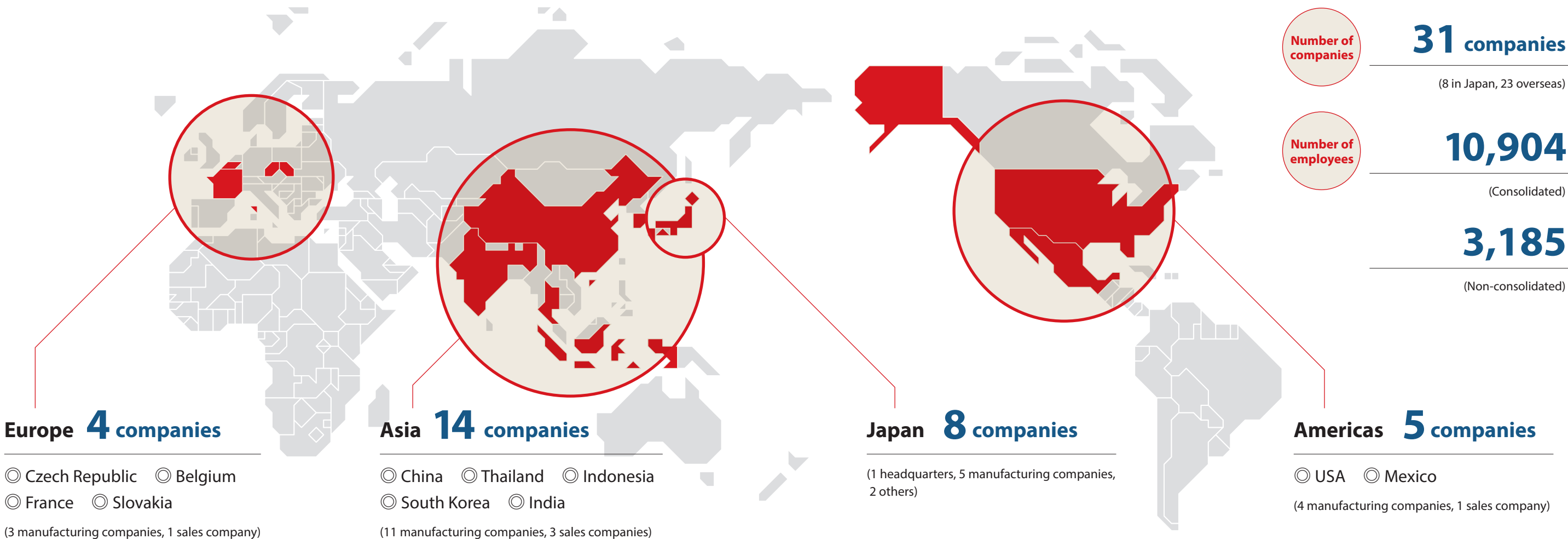
Formulated VISION2030
- 2022

Selected the Prime Market following Tokyo Stock Exchange market reorganization
Fuel pump module business transferred from DENSO Corporation
Formulated 2025 Medium-term Management Plan

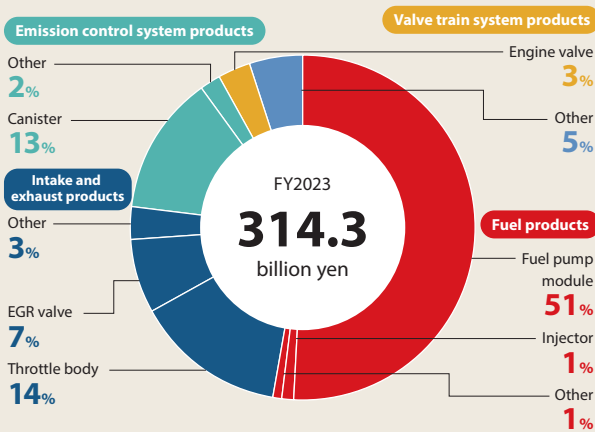
Performance Trends (Sales)



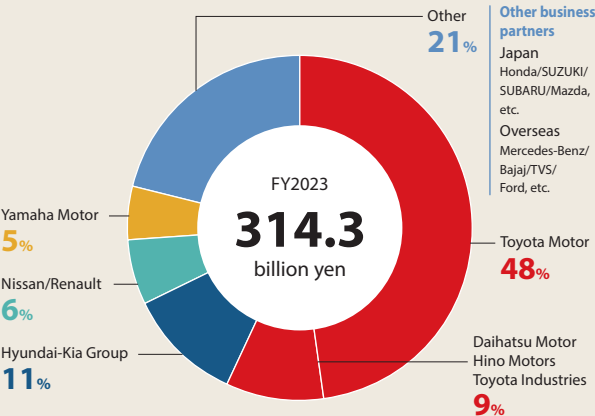
Approximately one out of every three cars on the road around the world is equipped with Aisan Group's products. As the diversification of power sources accelerates, our role is to anticipate changes in society, evolve our technologies, and steadily advance our response to next-generation mobility. We will continue to take on challenges for further growth.



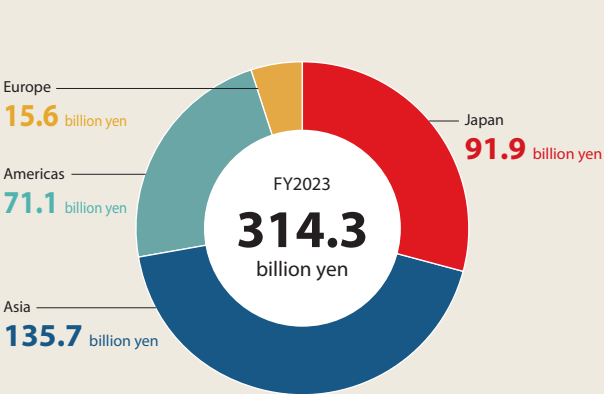
Percentage of net sales by product (Consolidated)



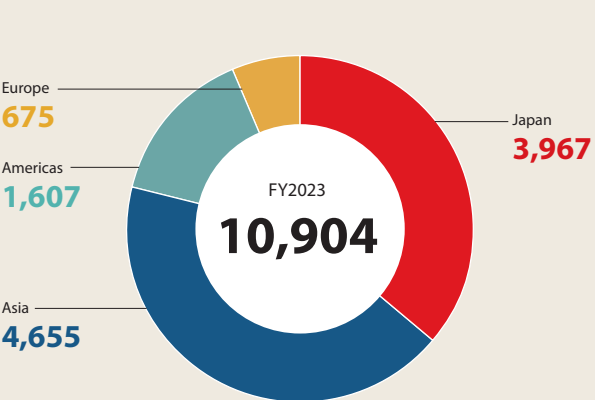
Percentage of net sales by customer (Consolidated)



Net sales composition by region (Consolidated)



Number of employees by region (Consolidated)



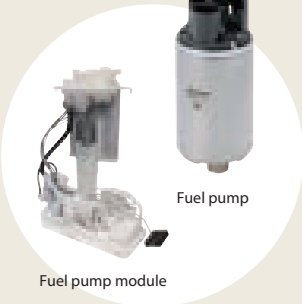
(As of March 31, 2024)

Powertrain products

Making safe and comfortable cars

Fuel products


Sends fuel from the tank to the engine. Peripheral products that maintain fuel pressure are also integrated, and by controlling the pump flow, it further improves the fuel economy.



Fuel pump module
Fuel pump

Intake and exhaust products


Controls the amount of intake air to the engine to achieve comfortable driving performance. In addition, it contributes to improved fuel economy and lowers NOx by recirculating exhaust gas.



Throttle body
EGR valve

Valve train system products


Opens and closes the intake and exhaust ports of the engine combustion chamber. These products require heat resistance and wear resistance to follow the high-speed rotation of engines in high-temperature environments.



Engine valve
Titanium alloy engine valve

Emission control system products

Adsorbs the fuel evaporation gas generated in the fuel tank and supply lines which cause air pollution, and blocks them appropriately to prevent their release into the atmosphere.



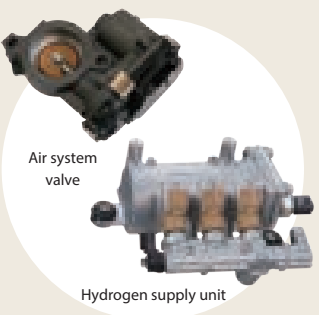
Fuel tank close valve
Canister

Products for clean energy

Realizing a mobility society

Fuel cell products

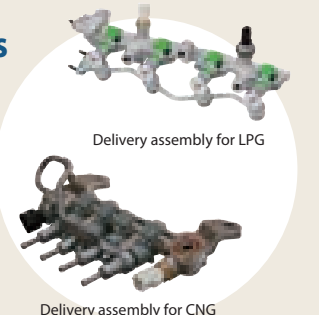
Utilizing our know-how accumulated from gas fuel systems, it controls the hydrogen and oxygen supplied to the fuel cell, contributing to highly efficient power generation.



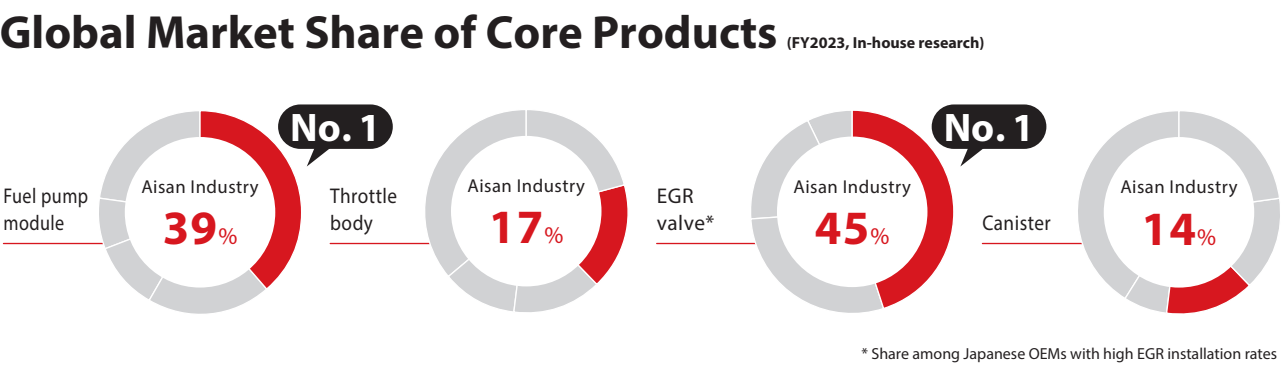
Air system valve
Hydrogen supply unit

LPG/CNG products

It responds to the diversification of power sources, including LPG, which is widely used for taxis in Japan, and CNG, which is expected to be in demand mainly in resource-rich countries.

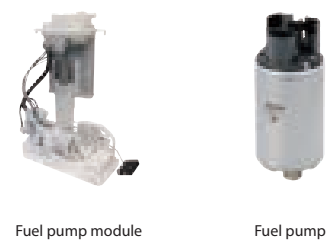


Delivery assembly for LPG
Delivery assembly for CNG




Core products for four-wheeled vehicles

1 Fuel products




Fuel pump module
Fuel pump

2 Intake and exhaust products




Throttle body
EGR valve

3 Valve train system products



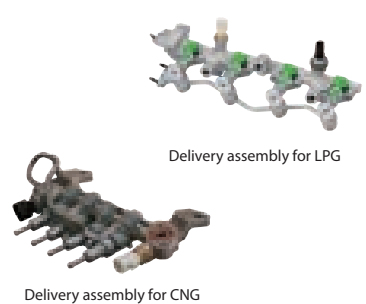
Engine valve
Titanium alloy engine valve

4 Emission control system products

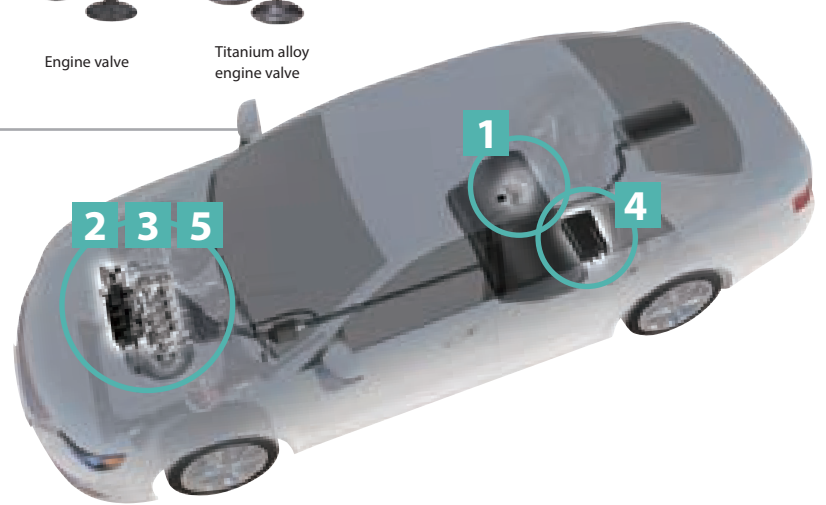


Fuel tank close valve
Canister

5 LPG/CNG products



Delivery assembly for LPG
Delivery assembly for CNG



Core products for small motorcycles



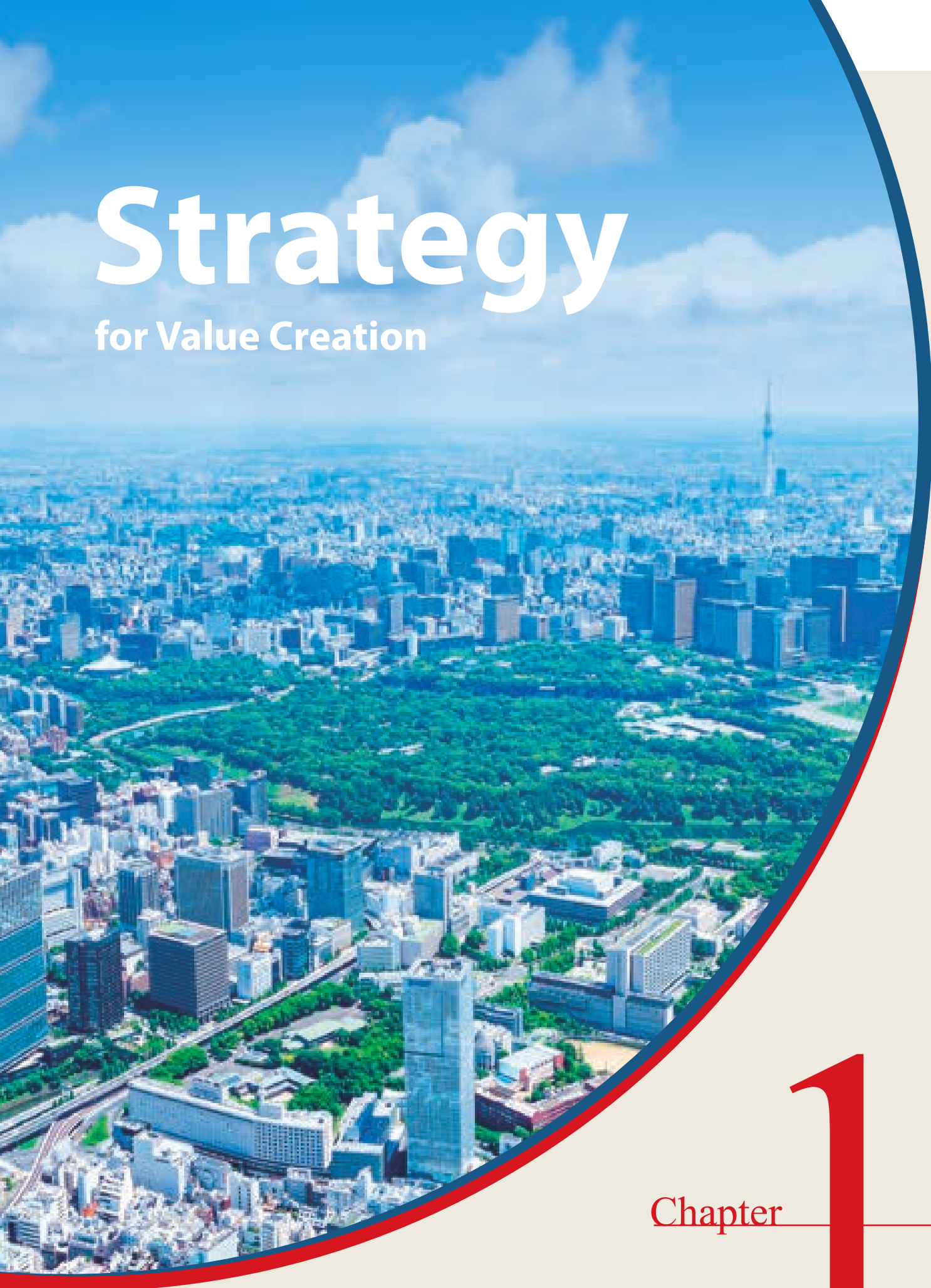
Canister

Brushless fuel pump

Fuel pump module

Injector

Throttle body



Strategy

for Value Creation

Chapter

1

Point

- ◆ In response to the major transformation of the automotive industry, we aim to contribute to society through technology and manufacturing.
- ◆ We will continue to support powertrain products for automobiles by leveraging environmental technology, which we have so far cultivated.
- ◆ We will continue to hone our technological capabilities with the aim of contributing to the evolution of mobility, including electrification and the use of clean energy.
- ◆ We will fulfill our social responsibility to solve social issues and achieve sustainable growth through our business activities.

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Tokuhiisa Nomura
President

Message from Our President

Achieving Greater Heights as the Top Manufacturer of Environmental Technologies to Build a Decarbonized Society.

Making the Aisan Group's Vision a Reality

Since our founding, we have held fast to our management principle of “contributing to society through global growth and environmental preservation,” and have been working to solve various social issues through the development of our business as an automotive parts manufacturer. The automotive industry is entering a period of major transformation, and we are working to strengthen the competitiveness of our powertrain product business in line with our current Medium-term Management Plan (2023-2025), aiming to make “VISION2030: Beaming future is in our hands” a reality. We are simultaneously strengthening our structure by allocating management resources to new businesses such as the electrification system product business and Business Using Clean Energy Technology, as

well as to initiatives working toward carbon neutrality. In fiscal 2023, these efforts gradually yielded results, bringing us steadily closer to our vision.

In the fiscal 2023 Integrated Report, we hope to communicate two main points. First, a review of what we have been working on and a renewed understanding of the issues surrounding the Company. After summarizing the results and challenges of our efforts to date, I will explain the direction of our business development for further growth. The second is our future targets and initiatives. I will explain in detail our current initiatives and their roles in bringing the Company's vision to fruition. I hope that by reading this report, our investors and shareholders will have a better understanding of the direction in which we are headed.

Review of Fiscal 2023

Looking back at fiscal 2023, there are two aspects that are most important to communicate. First, we believe that this was the year in which our MMK (strengthening of manufacturing) activities, which we have been implementing since 2020, began to produce results. MMK activities, which were initially focused on profit improvement activities in Japan, were expanded to overseas locations since 2023, and the results of these efforts have begun to materialize in the form of profit improvement effects. The progress in product selection and concentration, which started prior to the implementation of MMK activities, is also showing positive results. Since we have many customers, we used to develop and produce a variety of product lines to meet their needs. This sometimes led to the development and production of models that prioritized relationships with customers, even though it was difficult to secure profits or those products did not have promising outlooks for future model development. However, as a result of our efforts to integrate and discontinue part numbers for these product groups through active dialogue with our customers, our MMK activities have produced synergistic results and we are now in a solid position to generate stable earnings while continuing to invest proactively for the future.

The second aspect I would like to highlight is the improvement of profitability of the fuel pump module business taken over from DENSO Corporation. In fiscal 2023, the facilities that we inherited were transferred to our Toyota Plant and our subsidiary Aisan Kumamoto, and we have begun transitioning to a production system in which all processes from development to manufacturing are completed in-house. Full-scale in-house production will begin in fiscal 2025, so it will be some time before the business itself makes a significant contribution to our revenue. However, considering that we were able to step up sales from the 200 billion yen scale to the 300 billion yen scale before and after taking over the business from DENSO Corporation, we believe that the impact of this business on the Company was significant. To accelerate the shift to in-house production, our plant will begin early production of models with particularly large volume, stabilizing the revenue base of the fuel pump module business which now accounts for approximately 40% of the market share.

These efforts led to strong financial results for fiscal 2023, with both net sales and profits reaching record highs.

This has enabled us to achieve the management targets set forth in the current Medium-term Management Plan—net sales of 280 billion yen or more (actual results for fiscal 2023: 314.3 billion yen) and ROE of 8.0% or more (9.7% for fiscal 2023)—two years ahead of schedule, which we positively evaluate.

The current Medium-term Management Plan will reach its final year in fiscal 2025, and we are already considering the formulation of the next new Medium-term Management Plan within the Company. To maintain the trend of positive growth, we will formulate the next Medium-term Management Plan with even more challenging targets to meet the expectations of all of our stakeholders.

Future Management Policy

Raising competitiveness with an all-round strategy that can respond to all types of power sources

The business environment of the automotive industry surrounding the Company has been described as a “once-a-century transformation,” and we have received many concerned comments about the shrinking market. However, for several years I have consistently told people inside and outside the Company that the engine sector will not go away. This is because we believe that there will always be regions in the global market where engine-powered vehicles are needed. Of course, we are not being complacent about the future, and it is almost certain that the market will gradually shrink in size. Our assumption is that EVs will account for at most 30% of new vehicle sales worldwide by 2030. Moreover, China and Europe will see a higher level of EV adoption, reflecting their regional characteristics. Nevertheless, PHEVs (plug-in hybrids) are currently the vehicles with the largest sales growth in China. Our analysis suggests that PHEVs are being chosen as a realistic option because BEVs (battery electric vehicles) take a long time to recharge and there are concerns about running out of battery power while driving outside of urban areas. As long as these user trends continue, engine-related demand will not disappear. In Europe, there has also been a swing back to engine-related demand in the form of an announcement to allow the continued sale of vehicles that use e-fuel (synthetic fuel) after 2035. There

are some causes for concern, including the poorer than expected sales volume of Japanese manufacturers in China, which will naturally affect our delivery of components to Japanese manufacturers.

In light of this situation, we are pursuing an all-round strategy to respond to all types of power sources. In our existing engine parts business, we aim to consolidate our business in cooperation with other companies in the industry to further increase the competitiveness of not only our company but also other Japanese automotive parts manufacturers. The fuel pump module business is one such measure, which has led to an increase in profitability for the Company as it allows us to effectively utilize our production capacity. In order to enhance Japan's competitiveness in the global market, we will continue to share issues with various business partners and take proactive steps to resolve them.

Electrification and clean energy utilization as new pillars of revenue

Development of new businesses under our all-round strategy is centered on two themes: electrification and utilization of clean energy. During the current Medium-term Management Plan period, we are further accelerating our efforts by proactively allocating resources for this strategy, including 12 to 15 billion yen per year for research and development.

In the electrification business, production of battery cell cases is progressing as planned as a foothold for business expansion. Battery cell case products apply our existing elemental technologies, so development was largely completed in 2023 and we have entered the production preparation stage. Construction of a pressing plant on the Anjo Plant site has been completed in the summer of 2024, with full-scale operations scheduled to begin at the end of the year.

While battery cell cases are the first step in the electrification business, we must also possess electronic technology and new software technology to upgrade to the next step of providing higher value-added products that integrate battery module and system components. To this end, we aim to secure 100 software engineers in three years. This has proceeded almost according to plan, and we are beginning to see results in the development of the

product line needed for the next step, including the completion of some small mobility controller development.

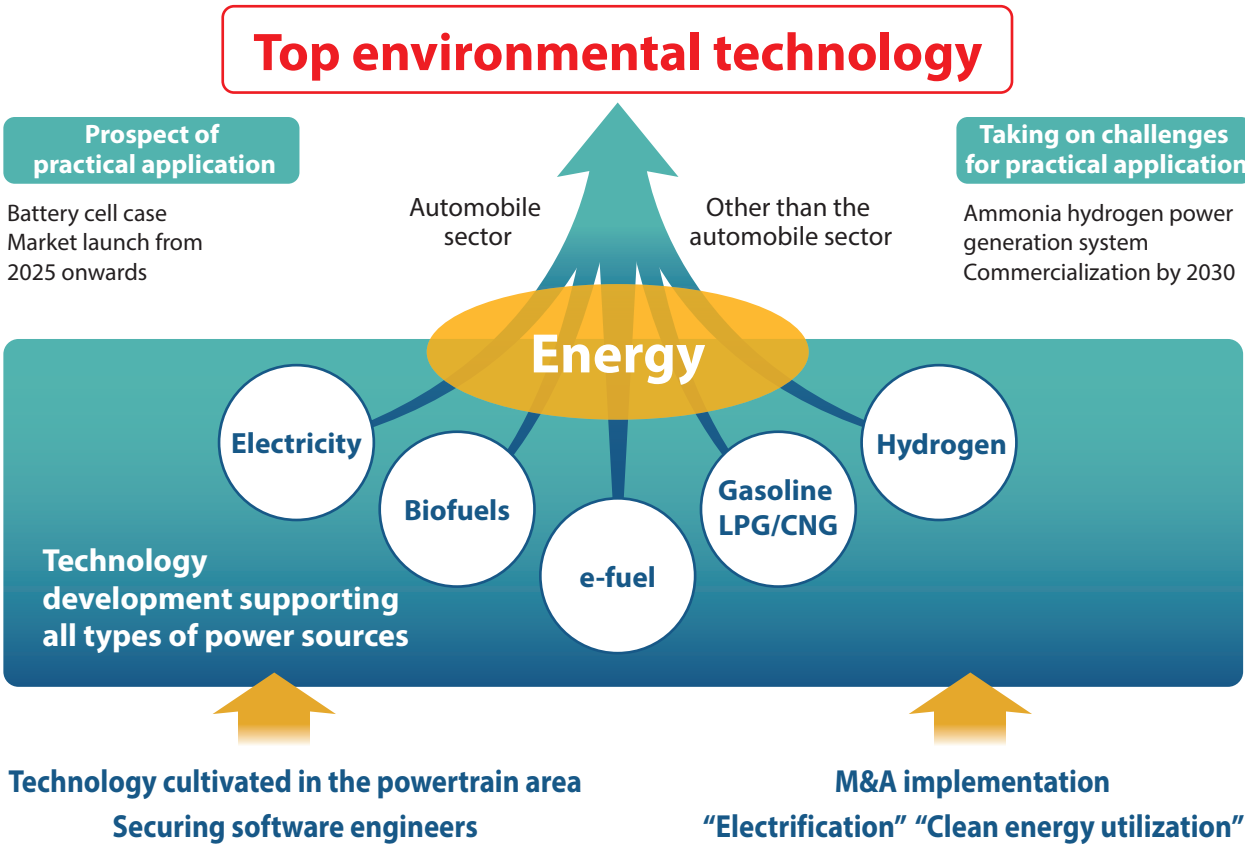
Thus far, we have spent about five years conducting basic research in the field of electrification, and we are now in the transitional stage of putting this research into practice. In the next Medium-term Management Plan, we intend to present more specific details such as an outline of our products and the timing of their sales to show our commitment.

On the topic of utilization of clean energy, we are particularly interested in hydrogen-related issues. We currently handle parts for the existing hydrogen fuel cells, and with an eye on creating a hydrogen society in the future, we are focusing on ammonia, which can efficiently and safely transport and extract molecular hydrogen. Development of an ammonia hydrogen power generation system that extracts hydrogen from ammonia to generate electricity is underway. We are conducting a series of demonstration tests to achieve even more efficient and stable power generation, and will work to show the prospect of commercialization by 2030.

Our role in becoming the top manufacturer of environmental technologies

In recent years, there has been a trend in the manufacturing industry as a whole to shift from monozukuri (making things) to kotozukuri (making events), but we felt that this trend had not spread to the automotive industry. While initiatives in MaaS and other next-generation mobility services are advancing in some areas, services that add value to cars themselves are mainly aimed at reducing the negative impact of cars on society, such as ADAS (Advanced Driver Assistance Systems) that prevent traffic accidents, and the development of vehicles with superior environmental performance and fuel economy.

Within this context, many car manufacturers are aiming to transform themselves to mobility companies, with a philosophy of delivering the joy of mobility and the freedom of movement that goes beyond providing the value of a car as a product. The traditional value chain of developing, manufacturing, selling, and providing services for cars will naturally continue in the future, but the idea of



a mobility company also includes the concept of making new events that change the social structure. We believe that the technologies that will bring about these changes will lead to the development of automated driving technology and connected cars.

Various car manufacturers have just begun to address the question of how cars as a form of transportation can contribute to people's lives in the future. When considering the question of what we envision as our role when the future envisioned by car manufacturers becomes a reality, I believe the answer is that we should possess top environmental technology that contributes to better car manufacturing and that we should become a company needed by society.

We believe that we have two roles to play in achieving our vision. The first is to continue to support the powertrain by further refining the technologies we have accumulated. And, through the use of environmental technologies, we will contribute to better car manufacturing, thereby gaining us recognition by society.

Although our customers are car manufacturers and our business is BtoB, we believe that we must provide products and systems that will be appreciated by customers and society as a whole. If our products and technologies are used in many cars around the world and many car users are pleased with them, we can further contribute to society. And if this is recognized socially and the company's visibility improves, it should also help motivate employees.

Another point is that we not only design and manufacture components according to the specifications of car manufacturers, but also take on the challenge of further upstream processes. We are powertrain professionals. We would like to be entrusted by car manufacturers to handle conventional engine-related products, electric powertrains including hybrids, and diversifying fuels, and to be able to make optimal proposals to them.

To further enrich our manufacturing by taking on these challenges, and to contribute to society through

monozukuri (making things) and kotozukuri (making events) as the top manufacturer of environmental technologies, we will ensure that our vision and two roles are communicated as our corporate identity to all employees as well as to management.

About Our Sustainability Management

Understanding capital market requirements and striving to strengthen information disclosures

We have been discussing various themes internally regarding sustainability management, but we feel that there is still a lack of communication of specific information to our stakeholders, particularly regarding the cost of capital and the enhancement of corporate value through human capital management.

Until now, we thought that showing a path to grow our business and improve profitability would be sufficiently recognized in the capital markets, but this has not worked out as we had hoped. Through dialogue with investors, we realized that particularly careful disclosure is necessary with regard to sustainability promotion. We understand that the request from the Tokyo Stock Exchange to improve P/B ratios and the mandatory disclosure of non-financial information in securities reports are messages from the capital markets that non-financial information is a barometer of corporate growth. While business activities should naturally take center stage, to ensure that our corporate value is appreciated by the capital markets, we will clarify not only our emphasis on immediate business growth, but also how we are returning profits to investors and shareholders from the perspective of sustainability management and its link to future growth of our business activities.

Similarly, we will visualize human capital, not by focusing on individual items such as the empowerment of women, as we have done in the past, but by taking a broad view of how all employees can be empowered to work and how the output they produce translates into financial results. Through these efforts, we intend to respond to the demands and expectations of society by considering how the performance of each and every employee will lead to sustainable corporate growth.

In addition, our employees have often been characterized as “honest and earnest,” which is a very desirable trait in a traditional pyramid-structured organization, but going forward we will emphasize that they can’t simply wait for instructions from the top. We must share our corporate identity with all employees and develop human resources who can act on their own initiative. We will also increase opportunities for human resource exchanges with our overseas offices and focus on developing truly global personnel. We will instill in all of our employees an awareness of our role in society and our BtoBtoC philosophy of being aware of the existence of users beyond our business partners.

As indicators of the results of human capital management initiatives, we are requested to disclose the results of engagement surveys and the number of female managers. However, we believe it is important not only to disclose the results, but also to provide the reasons and analysis that led to the results, such as the number of female hires by age group and the ratio of female to male hires.

Governance Structure of the Aisan Group

With regard to the Company’s corporate governance, outside directors at the Board of Directors meetings have evaluated that the atmosphere of the meetings and the content of directors’ comments on important agenda items have changed. When I first became president, I often proceeded solemnly with only explanations and resolutions, so I have worked to change the composition of the Board of Directors and create an atmosphere in which it is easier for people to speak up. Gratifyingly, we have received a satisfactory score in evaluating the effectiveness. In addition to evaluations as scores on the Board of Directors, I value the casual questions and requests that I receive from outside directors. In fiscal 2023, reflecting the requests of outside directors, we began an off-site meeting initiative in which discussions are held in an environment away from the headquarters. The atmosphere is different from that of a traditional board meeting, and the topics are narrowed down to encourage discussion. We feel that we can have more in-depth discussions about corporate culture and future business strategies by setting up a meeting body separate from the

Board of Directors meetings. We hope to continue to hold this type of meeting at least once a year.

By gathering the valuable opinions of outside directors and reflecting them in our management strategy, we can achieve our vision, which is to become a company that contributes to better car manufacturing and is needed by society with a leading position in environmental technology. Accordingly, we will continue to carefully engage in communication with each and every one of them.

In addition, two M&A transactions were conducted in fiscal 2023 in line with our business strategy. Our policy is to work together with companies that possess the technology necessary to advance new businesses to build technology development and production systems, regardless of the size of the company, and we consider M&A as a means of speeding up business expansion. As the Group expands, it is essential to establish a governance system that is even more effective, and we will continue to focus our efforts on strengthening governance.

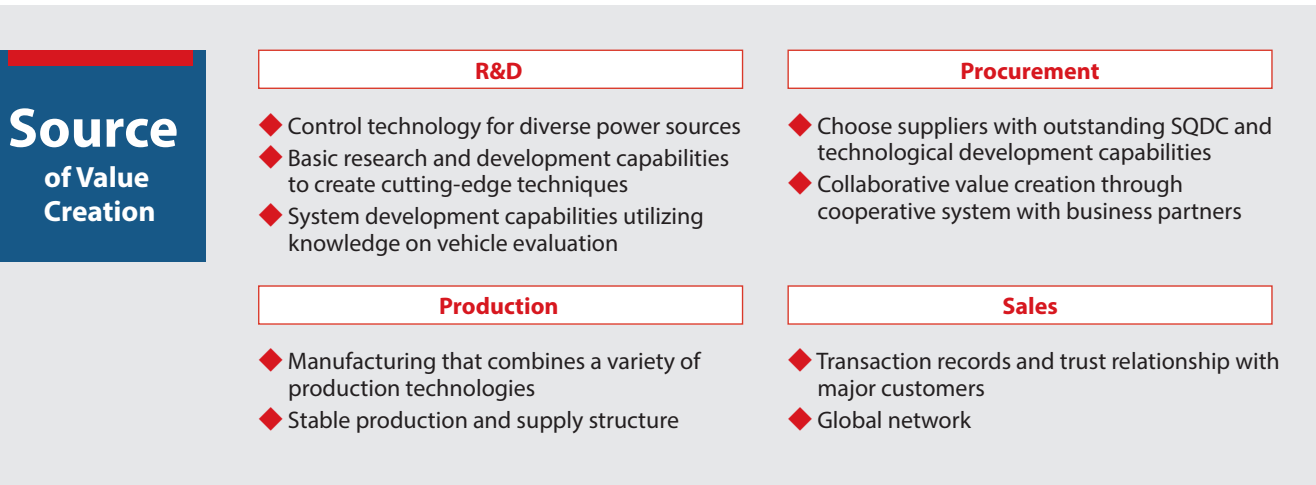
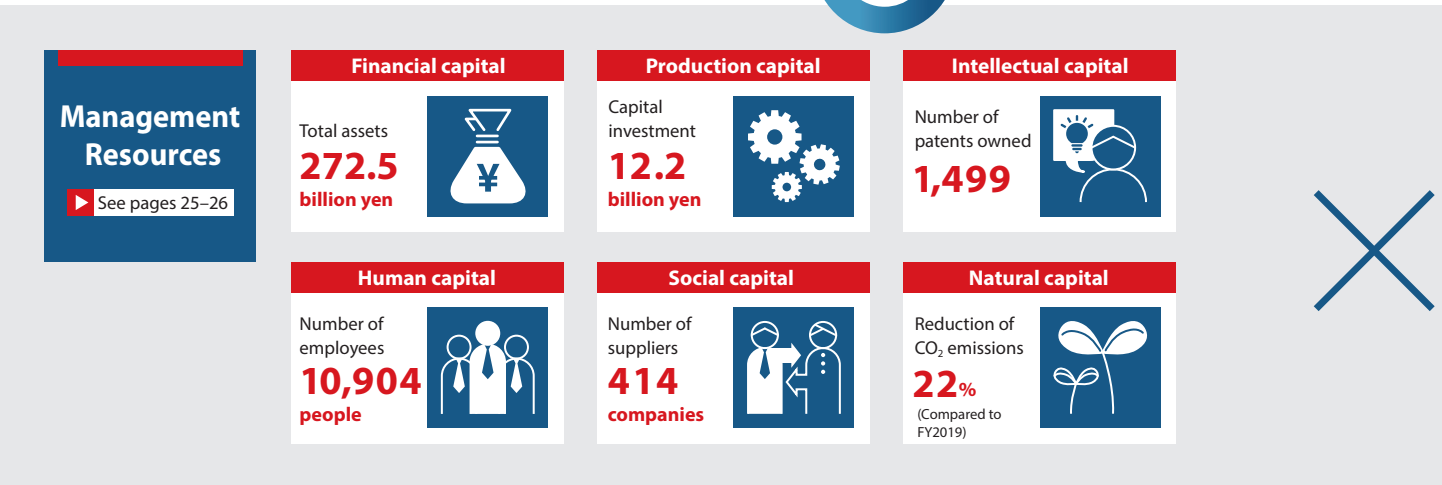
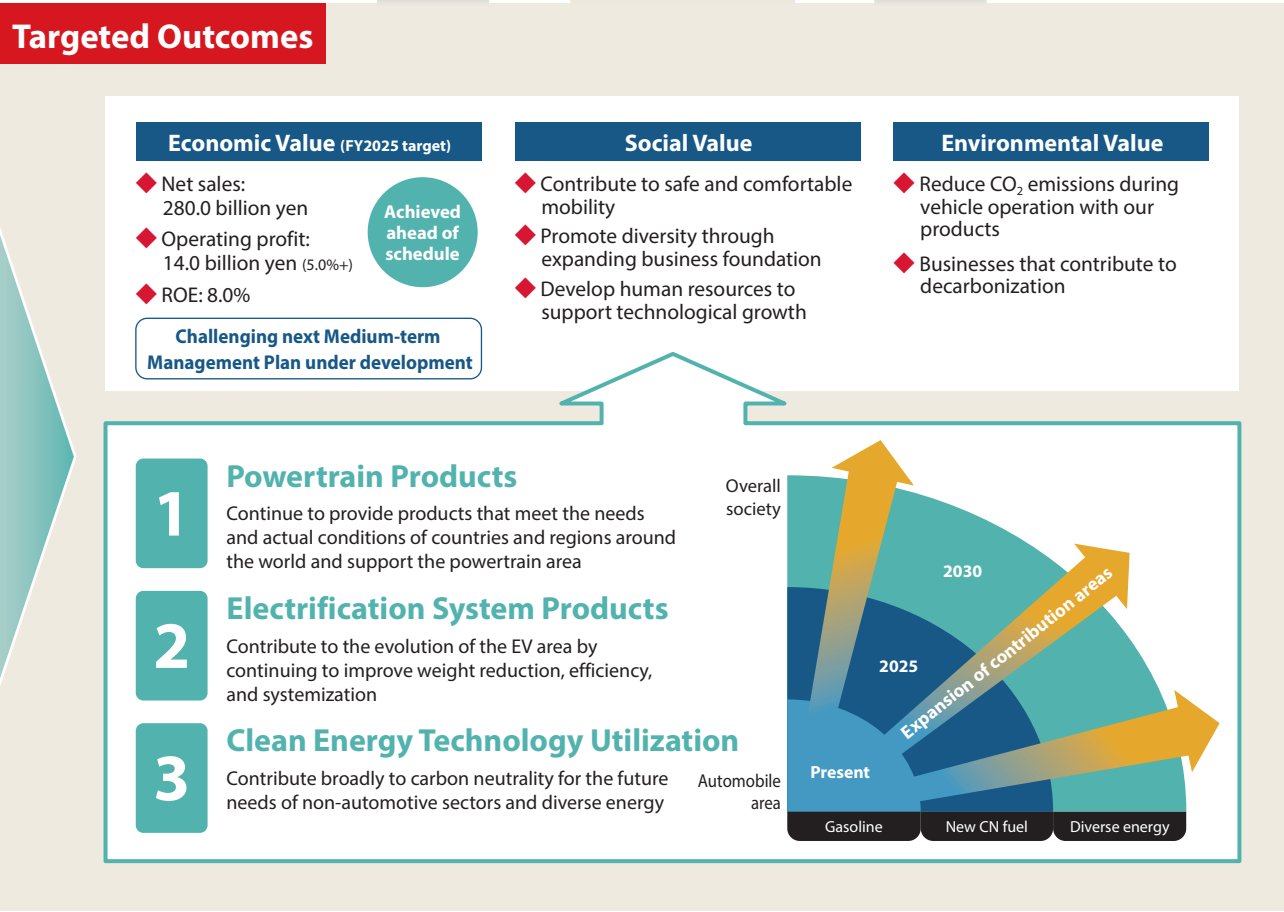
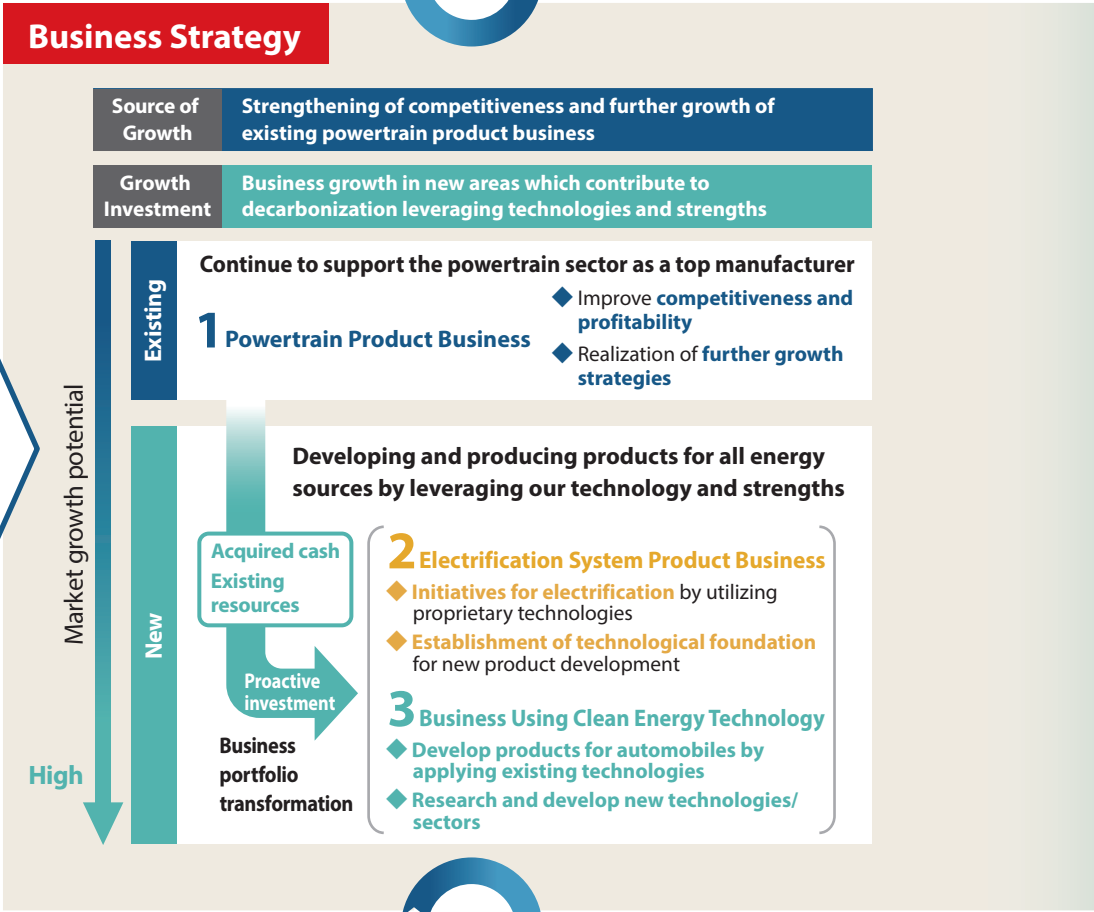
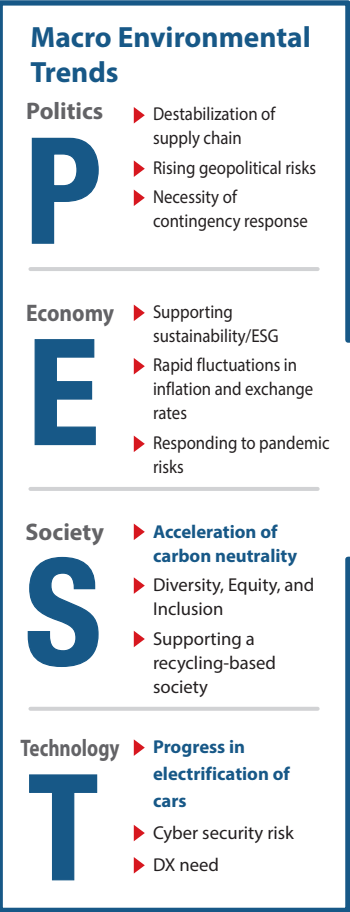
To Our Stakeholders

Various scandals have come to light in the automotive industry, which have caused great concern to all of you. In order to live up to your trust and expectations, we will strive to further strengthen compliance and create a workplace culture of openness.

To achieve further corporate growth, we are currently in the final phase of discussions regarding business strategies for existing powertrain businesses, setting targets for electrification business and clean energy development, and exit strategies for these new businesses, in preparation for the announcement of a challenging next Medium-term Management Plan for fiscal 2024. With regard to our response to electrification and our financial capital strategy, which are of particular interest to our stakeholders, we intend to present them in a form that is easy to understand.

We will also pursue initiatives to strengthen governance, including thorough compliance, fair and proactive information disclosure, and risk management, in order to continue to earn the trust of our stakeholders. We look forward to your support of our next Medium-term Management Plan.





We will continue to strengthen our management capital with the aim of becoming the top manufacturer of environmental technologies centered on people and technology.

Financial capital		Total assets	272.5 billion yen	Equity ratio	49.4%
		Operating cash flow	38.6 billion yen	ROE	9.7%
		Financial rating	A-	ROIC	7.4%
		See pages 33–38			

Support business growth and management with financial soundness and capital efficiency, and meet stakeholder expectations with capital efficiency and shareholder returns

Capital efficiency

- ◆ Pursuit of optimal capital structure and efficient management that exceeds cost of capital

1 ROE improvement

- Accelerate shareholder returns with funds generated
- Leverage of borrowing utilization

2 ROIC improvement

- Efficiently fund business operations
- Introduction of consolidated CMS*
- Improvement of asset turnover ratio

* CMS: cash management system

Shareholder returns

- ◆ Stable continuation of dividends
- ◆ Profit distribution with an awareness of capital efficiency

Financial soundness

- ◆ Balance between growth investment and financial soundness
- ◆ Efficient management of assets and funds

Production capital		Capital investment	12.2 billion yen	Headquarters	Japan + 3 bases
		Property, plant, and equipment	83.5 billion yen		
				Overseas	18 bases

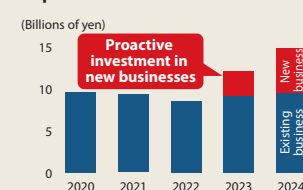
Proactively invest management resources in new businesses to achieve business growth looking ahead to 2030

Thoroughly increase the efficiency and profitability of the existing powertrain product business

- ◆ Expand competitiveness and profitability of the transferred fuel pump module business through in-house production and synergy effects
- ◆ Further integrate overlapping major product businesses and consolidate production

Shift management resources to the development of new businesses that contribute to electrification and decarbonization, and actively invest in them

Capital investment



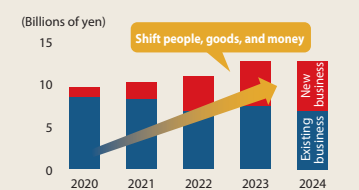
Intellectual capital		R&D expenses	12.9 billion yen	Number of patents owned	Japan 648
					Overseas 851

Developing new technological areas by refining the environmental technologies we have cultivated

Challenges in new sectors

- ◆ Received the Aichi Invention Award for seven consecutive years
- ◆ Received the Chubu Invention Award/Honorable Award by The Public Foundation of Chubu Science and Technology Center
- ◆ Number of patents owned: 648 (Japan)/ 851 (Overseas)
- ◆ Number of carbon neutrality-related patent applications: 105

R&D expenses



Human capital		Number of employees	Japan 3,967	Software human resources	71
			Overseas 6,937		

Promote human resource development to respond to market changes

Software human resource development

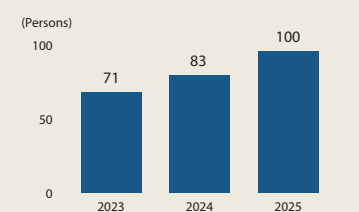
- ◆ Investment in human resource development: 1.3 billion yen
- ◆ Promotion of collaboration and cooperation with external organizations
- ◆ Active use and promotion of external human resources

Autonomous human resource development

- ◆ Introduction of Aisan Manabiba autonomous learning management system
- ◆ Continuation of Aisan Katariba dialogue meetings with board members
- ◆ Formulation of Aisan Industry's original EVP*

* EVP: Employee Value Proposition (value provided by a company to its employees)

Software human resource development plan



Social capital		Number of suppliers	414 companies	Dialogue with institutional investors	51
			(Excludes the Aisan Group)		

Aiming for sustainable growth with diverse stakeholders

Coordination with suppliers

- ◆ Promotion of MMK*/MCK* activities
- ◆ Human rights activities throughout the supply chain
- ◆ Cyber security level improvement activities

Dialogue with investors

- ◆ Visits to investors: Dialogues to meet individual needs
- ◆ Technology briefings: Explanation of strategies for new business creation and future investment



* MMK: Motto Monozukuri Kyoka (Activities to Strengthen Manufacturing) MCK: Motto Carbon Neutral Kyoka (Further Strengthening of Carbon Neutrality)

Natural capital		Reduction of CO ₂ emissions	22%	Reduction of waste emissions	41%
			(Compared to FY2019)		(Compared to FY2019)

Promote a circular economy through the use of environmental technologies

The three pillars of environmental activities

- ◆ Carbon neutrality: Reduction of CO₂ emissions from plants/Utilization of clean energy/Reduction of CO₂ emissions throughout the value chain
- ◆ Circular economy: Innovation in product design (material substitution, downsizing and weight reduction)/Promotion of zero waste emissions
- ◆ Nature positivity: Abundant nature/Conservation and revitalization of biodiversity



Solving Social Challenges and Achieving Sustainable Growth through Business

Approach to Sustainability Management

Sustainability is the very essence of Aisan Industry's corporate identity. The company has been actively contributing to the environment and society through its business activities since its establishment under the management philosophy of "contributing to society through global growth and environmental preservation."

Based on the Sustainability Fundamental Policy, which was newly formulated in 2022, we have been accelerating our group-wide efforts for sustainable management to "contribute to society through our business" and "sustainably enhance our corporate value."

In order to maintain our position as a company that can always be counted on by society, even in an environment undergoing drastic changes, such as worsening environmental problems due to frequent natural disasters caused by climate change and heightened awareness of human rights, we will continue to evolve our sustainability initiatives through dialogue with our stakeholders.



Tomonori Kai
Executive Officer
(In Charge of Sustainability Management Promotion)



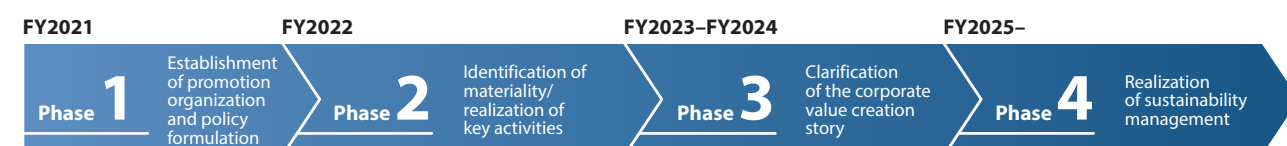
Sustainability Fundamental Policy

- ◆ Based on its Management Principles, the Aisan Group will keep on providing solutions to social challenges and contribute to the sustainable development of society through our global business operations.
- ◆ Aisan will create new values with our time-proven technology and quality to meet our stakeholders' expectations and improve our corporate value in a sustainable manner.

Realization Process of Sustainability Management

Since 2022, we have been working to unify awareness within the company through the Sustainability Fundamental Policy, the establishment of the Sustainability Committee, and the identification of materiality. We will continue and strengthen our efforts to achieve both "realization of the vision sought by society" and "sustainable growth in business activities."

Moreover, we will carefully disclose information on our initiatives and continue to engage in dialogue with our stakeholders, aiming to be a company that can reliably meet the needs of society.



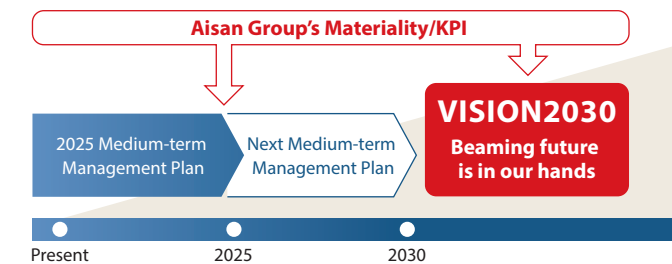
Identifying Materiality

The Aisan Group identifies materiality (key issues) based on the view that in order to implement sustainability management, it is necessary to identify materiality on a timescale that looks 50 to 100 years into the future. The Sustainability Committee, chaired by the President, examined the vision, risks and opportunities with experts in order to identify materiality and KPIs related to the environment, human resources and culture, society, and governance, with the aim of realizing VISION2030, "Beaming future is in our hands."

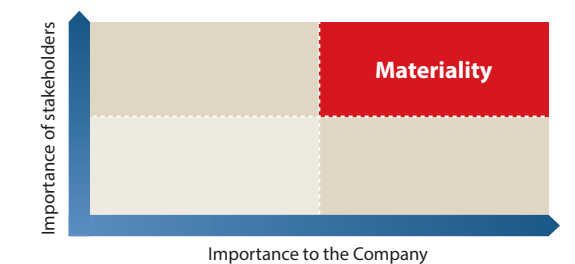
◆ Specific processes



◆ Establishment of future social vision and identification of potential materiality

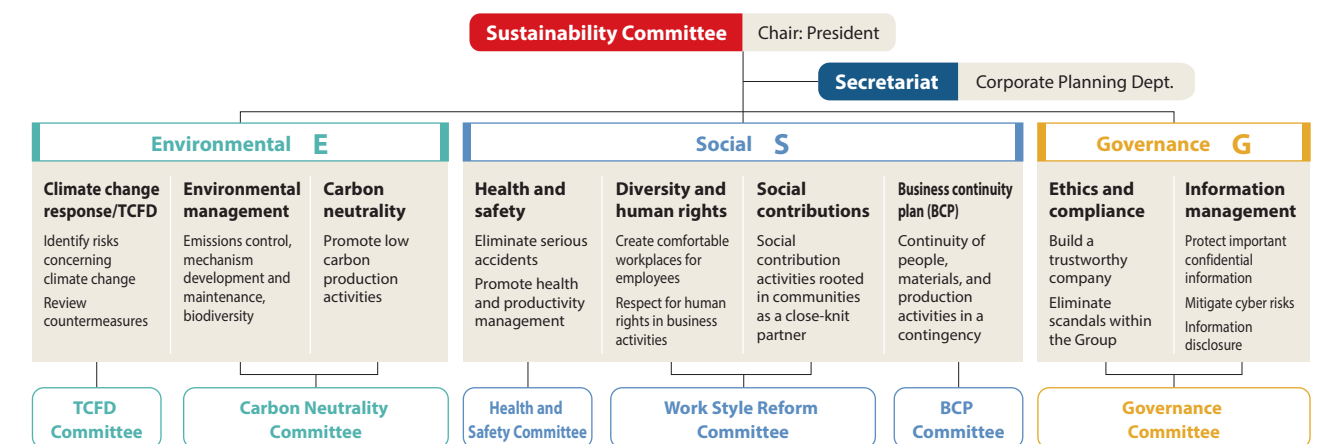


◆ Assessment and identification of materiality



Promotion System for Sustainability Management

Each committee takes the lead in promoting initiatives for the identified materiality based on the Sustainability Fundamental Policy. The Sustainability Committee checks and approves the activities of each committee and conducts comprehensive management reviews on the direction and appropriateness of initiatives.



◆ Number of committee meetings and main agenda items (FY2023)

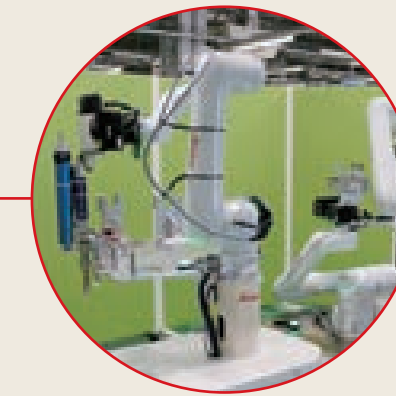
Sustainability Committee (Twice)	TCFD Committee (4 times)	Carbon Neutrality Committee (3 times)	Health and Safety Committee (12 times)	Work Style Reform Committee (4 times)	BCP Committee (4 times)	Governance Committee (5 times)
<ul style="list-style-type: none"> Progress in sustainability management Management issues associated with changes in the social environment 	<ul style="list-style-type: none"> Scenario analysis for global environment in 2050 Response to risks and opportunities Checking the method for calculating financial impact Checking disclosures 	<ul style="list-style-type: none"> Scope 1-3 CO₂ emissions management Discussions on actions for carbon footprints Consideration of clean energy utilization 	<ul style="list-style-type: none"> Report on activities to prevent occupational accidents Health management guidance by industrial physicians 	<ul style="list-style-type: none"> Checking the status of diversity promotion Report on social contribution activities Sharing examples of work style reforms 	<ul style="list-style-type: none"> Cyber attack on-site training Spare parts management based on water damage scenario Checking evacuation drill details 	<ul style="list-style-type: none"> Report on compliance activities Revision of the Corporate Governance Report Promotion of the helpline utilization Promotion of risk management

Aisan Group’s Materiality

In order to achieve the goal of “beaming future is in our hands” as stated in VISION2030, the Aisan Group will take on the challenge of technological innovation, including EV and hydrogen technologies, and aim to become the top manufacturer of environmental technologies. In order to bring peace of mind and smiles to the children of the future, we have identified four materialities from a wide range of themes, taking into account both positive and negative impacts generated through our business activities, and have also set related KPIs. The results of initiatives for each item in fiscal 2023 are as follows.

Category		Materiality (Key issues)	Prioritized themes	Vision		KPI (Indicators)	Results (FY2023)	Target (FY2025)		
E	Environment	Contributing to the development of a recycling-based society with innovative thinking and technology	Climate change initiatives, waste reduction, carbon neutrality, developing technology for hydrogen-based society, initiatives for the diversification of energy sources, and harmony with nature	Contribution to global environmental protection and the realization of a sustainable society		Carbon neutrality	Scope 1 & 2 total emissions	CO ₂ emissions	86,000 t-CO ₂	Compared to FY2019: -25%
							Scope 3 total emissions	CO ₂ emissions	203,000 t-CO ₂ *	Compared to FY2019: -20%
						Clean energy	Renewable energy	Offset	+10.2%	+15%
							Energy creation	Credit	Thermal management verified	+1%
S	Human Resource/Corporate Culture	Developing human resources that can take on challenges for innovation and promoting a corporate culture where people “mutually respect and energize each other”	Human resource development, diversity, work style reform, safety/health, DX (robotification and IoT), and employee engagement	Realize a workplace environment that enables our diverse human resources to actively participate at work		Employee engagement score		52 points	55 points	
						Number of female managers		5 people	6 people	
						Number of executives in overseas offices		17 people	17 people	
						External verification		Kurumin accreditation (Support Raising Next-Generation Children)		Kurumin Plus accreditation
				Items for disclosure of human capital		3	19			
				Building a health and safety culture based on mutual encouragement to call on each other for anything	Safety and health awareness level		Indicators decided	10% increase		
					Number of occupational accidents		2	0		
					Number of employees with mental health problems		9	12 or less		
	Ratio of smokers		24%		20%					
	Society	Achieving harmony with the local community and contributing to a sustainable society	Human rights, sustainable procurement, and harmony with the local community	Maintain the status as a company trusted by the community and society		Ongoing social contribution activities		12 activities/year	10+ activities/year	
						Sustainability check implementation rate		Guidelines formulated	100%	
						Non-compliance by suppliers		0	0	
Conflict minerals confirmation rate						100%	100%			
G	Governance	Establishing a governance system stakeholders can rely on	Corporate governance, compliance, risk management, and information security	Number of serious violations of laws and regulations of laws and regulations: 0		Number of serious violations of laws and regulations		0	0	
						Employee awareness level (compliance measures)		3.34	3.79 or higher	
						Level of helpline recognition		80%	90%	
				Number of incidents: 0		All Toyota Security Guidelines		V8 100%	V8 100%	
						Cyber Security Guideline Ver. 2		LV2 100%	LV3 100%	
				Accurate and prompt disclosure Proactive voluntary disclosure		Disclosure standards compliance rate		100%	100%	
				Company-wide risk assessment and management execution		Establishment of the risk management system		Implemented by the headquarters	Establishment of the system	
				Human life first (rescue and relief)	Development and recognition of response standards for large-scale natural disasters 100% - autonomy => Ensure awareness and training	Prepared the standards		Operation of the standards		
						Reached 100% recognition		Familiarization training		
				Contribution to regional recovery	Stockpiling of relief supplies	Recognition activities		Level up		
						Food updated		Update		
				Prompt restoration of production		Establishment of a system that can restore the production within a week and implementation of continuous training		· Three practical activities · Horizontal development of visualization of spare parts inventory (throttle bodies)		· Revision of production core system (visualization of intermediate inventory)
Securing backup production manpower (Cross-functional training ratio = ratio of reserve manpower secured)				Clarified the risks		100%				

* Scope 3 is the actual results for FY2022. (Non-consolidated and for Categories 1-7)



Point

- ◆ In order to realize our vision, we will systematically make investments for future growth and strive to enhance our corporate value.
- ◆ We will formulate and implement flexible management strategies that appropriately reflect the changes and needs of society by setting consistent growth strategies.
- ◆ We will continue with technological innovation to strengthen the competitiveness and for further growth of powertrain products, and promote the application of our core technologies in new business sectors as well.
- ◆ To create an attractive manufacturing environment for the next generation, we will take on the challenge of building a manufacturing site that creates new value with high added value.

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Initiatives

for Value Creation

Message from the CFO

To help build a sustainable society through our businesses, we strive to increase corporate value by investing in future growth and providing stable shareholder returns.

Kenji Sato

Executive Officer (In Charge of Finance)



Review of Fiscal 2023

Economic conditions remained uncertain in fiscal 2023 due to the slowing growth of the Chinese economy, inflation caused by high raw material and energy prices and wage increases, exchange rate fluctuations, and the impact of rising international tensions. However, the economy returned to a growth trend as the disruption of economic activities caused by COVID-19 subsided.

In this business environment, the Company made Group-wide efforts to enhance its corporate value by strengthening the competitiveness of its powertrain product business, accelerating the development of electrification system products, and utilizing clean energy technologies.

As a result, consolidated net sales increased to 314.3 billion yen due to volume growth, including acquired business of fuel pump modules (FPM), and the impact of foreign exchange rates. Although there were negative factors such as proactive research and development investment for the future, consolidated operating profit increased to 15.4 billion yen due to positive factors such as increased sales volume, improved profitability, and the effect of yen depreciation. As a result, both

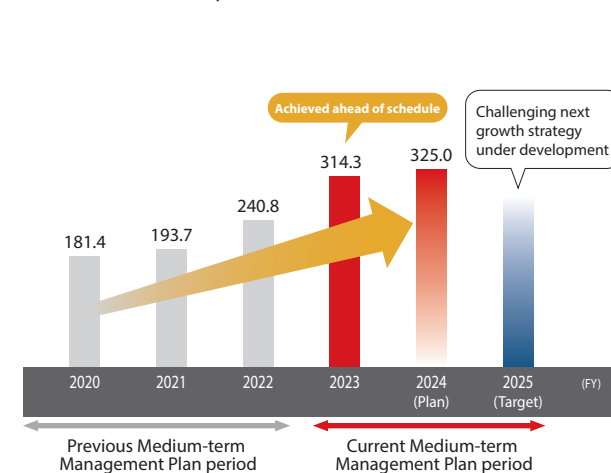
net sales and operating profit reached new record highs.

This strong performance can be attributed to the following factors: the start of mass production of next-generation elite products and their global deployment, which we have been working on during the current Medium-term Management Plan period; the expansion of MMK (strengthening of manufacturing) activities to the entire supply chain; and the progress according to schedule of our efforts to rebrand and shift to fully in-house production of the FPM business, which was acquired from DENSO Corporation to enhance the competitiveness of the powertrain product business. We believe that the results of these efforts have steadily manifested themselves in strong business performance.

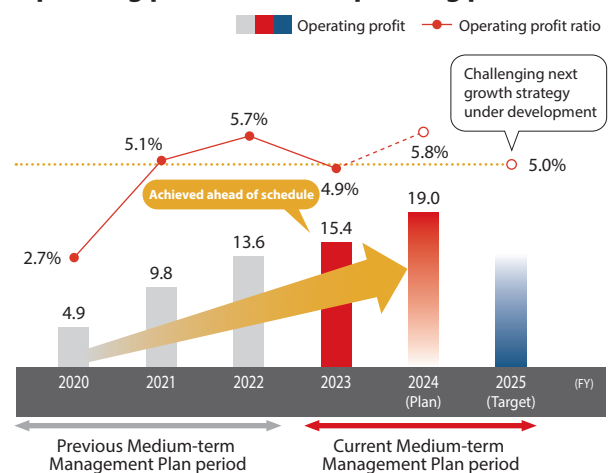
Currently, we are discussing ways to further enhance not only our business strategies but also our financial capital strategies and capital efficiency management in preparation for the next Medium-term Management Plan.

In order to meet the expectations of our stakeholders, we plan to present specific strategies related to improving ROE and ROIC, shareholder returns, and P/B ratio.

Net sales (billions of yen)



Operating profit (billions of yen)/Operating profit ratio



Financial Strategy and Capital Efficiency Management

In November 2022, we formulated our Medium-term Management Plan for the period through 2025. As we proceed toward 2030, the electrification of cars is expected to lead to a decrease in the number of engine-powered vehicles, although there will be variations among countries and regions. As the powertrain mix undergoes major changes and fuel diversification continues, we call for “business development in new areas that contribute to decarbonization leveraging technologies and strengths” as our goal, in addition to “strengthening of competitiveness and further growth of our existing powertrain product business.”

To continue to invest in future growth over the medium to long term, we intend to support business growth and management with a solid financial foundation and capital efficiency management, and meet the expectations of all of our stakeholders through capital efficiency and shareholder returns. Specifically, we set key indicators that serve as milestones in terms of capital efficiency, shareholder returns, and financial soundness, and promote our activities accordingly. In terms of capital efficiency, we aim to improve ROE by accelerating shareholder returns

through the use of capital generated and expanding the scale of our business by leveraging other capital such as borrowings. We are also working to improve ROIC through efficient asset utilization. The efforts include introducing a consolidated CMS (Cash Management System) and improving asset turnover. Through these activities, we aim to achieve efficient management that exceeds the cost of capital.

In terms of shareholder returns, we aim to maintain stable dividends and return profits with an awareness of capital efficiency, and will promote a dividend payout ratio of 30% or higher and flexible purchase of treasury stock during the period of the Medium-term Management Plan. As for financial soundness, we will pursue a strategy with the aim of promoting both growth investment and financial soundness through efficient management of assets and funds.

By pursuing global efforts to improve capital efficiency and financial soundness, we will firmly anchor growth investments to build our future business portfolio.

Support business growth and management with financial soundness and capital efficiency, and meet stakeholder expectations with capital efficiency and shareholder returns

Capital efficiency

- ◆ Pursuit of optimal capital structure
- ◆ Efficient management that exceeds cost of capital

Shareholder returns

- ◆ Continuing stable dividends
- ◆ Profit distribution with an awareness of capital efficiency

Financial soundness

- ◆ Balance between growth investment and financial soundness
- ◆ Efficient management of assets and funds

1 ROE improvement

- ▶ Accelerate shareholder returns with funds generated
- ▶ Leverage of borrowing utilization

2 ROIC improvement

- ▶ Efficiently fund business operations
- ▶ Consolidated CMS* implementation
- ▶ Improvement of asset turnover ratio

* CMS: cash management system

Financial KPI

Item		FY2023 results	FY2025 target
Capital efficiency	ROE	9.7%	8.0%
	Liquidity on hand	2.6 months	1.5 months
Shareholder returns	Payout ratio	29.3%	30%+
	Other	Purchase of treasury stock	Purchase of treasury stock
Financial soundness	Equity ratio	49.4%	40%+
	Rating	A-	A- or higher

Achieving Cost of Capital Management

As a recognition of the external environment, the Corporate Governance Code requires the company to accurately grasp its cost of capital, present a profit plan, a basic policy for

capital policy, and targets for profitability and capital efficiency. It then also requires preparation of a specific action plan for reviewing its business portfolio and allocating

management resources to achieve these targets. In addition, the Tokyo Stock Exchange has requested that from January 2024 onward, management be aware of the cost of capital and stock price. In other words, it is now more necessary than ever before for each company to not only be aware of sales and profit levels on the statement of income, but also to work on sustainable corporate growth and medium- to long-term corporate value enhancement through management practices that are conscious of the cost of capital and capital profitability based on the balance sheet. We recognize that investors and other stakeholders have recently tended to emphasize capital efficiency indicators such as ROE, ROIC, and WACC as a measure of return on investment.

Within our internal environment, the Toyota Production System's concepts of "just-in-time" and "automation," which we have mastered, are highly compatible with capital efficiency management from the perspective of efficiently producing better products at lower cost, and we have continued improvement activities to enhance our manufacturing competitiveness.

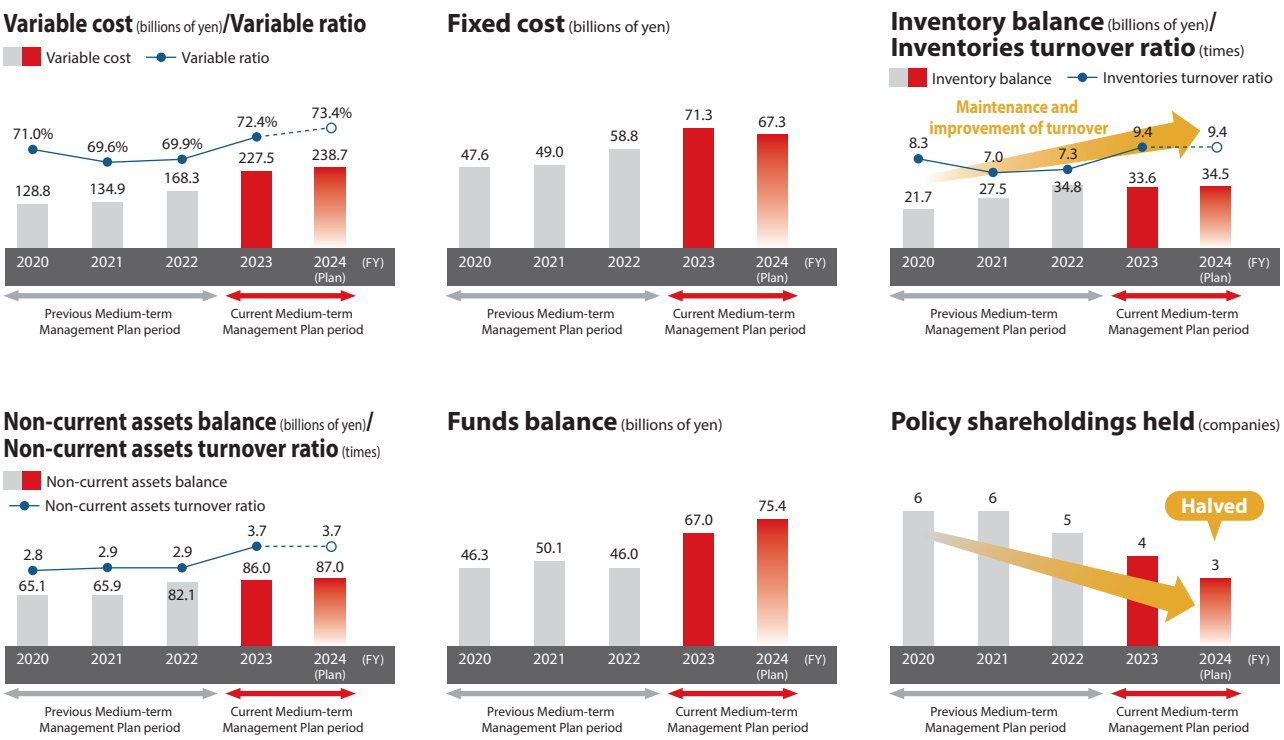
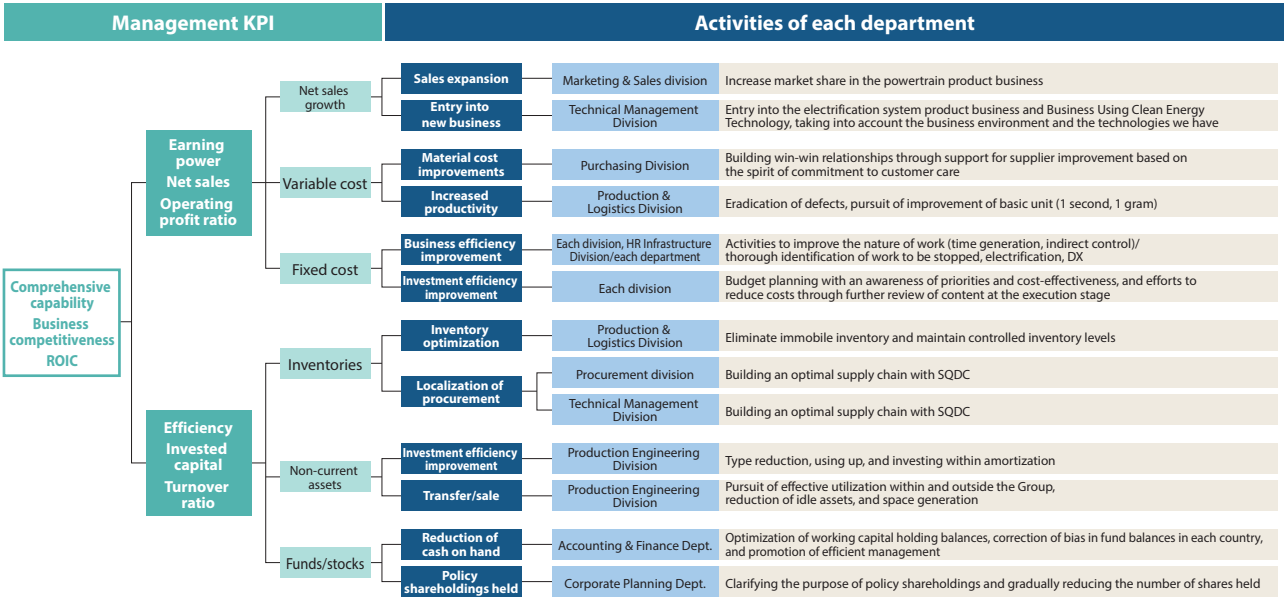
Since 2019 (the period of the previous Medium-term Management Plan), we have been promoting activities to enhance corporate value, both in terms of strengthening competitiveness (P/L) and improving asset efficiency (B/S). In terms of strengthening competitiveness (P/L), we have been engaged in value chain activities for local production for local consumption, MMK activities to implement manufacturing reforms based on the concept of total optimization in the supply chain, and acquisition of the FPM business, which now has the world's top market share and an unrivaled product lineup and technological capabilities. We have worked to improve asset efficiency (B/S), streamlining the balance sheet

by improving the Group's capital efficiency, improving the inventories turnover ratio, and reducing policy shareholdings. We have also purchased treasury stock as part of our efforts to strengthen shareholder returns. Through these activities, we believe we have established a solid management foundation for medium- to long-term future growth investments (research and development, and capital investment) and stable and continuous shareholder returns.

Faced with such an environment, and guided by our slogan, "Become a company indispensable to society by pursuing essential improvements through the active participation of all employees," in fiscal 2024, we established management KPIs based on the ROIC tree and launched company-wide initiatives to achieve them. These KPIs are incorporated into each department's annual activity plan and department KPIs, and the progress and results of these activities are reported at monthly Cost Improvement Meetings. We will share good practices throughout the company through meetings, follow up on progress, and promote internal awareness-raising activities. Externally, we will conduct sufficient analysis of the current status of our company, including obtaining external evaluations from investors and other parties, and promote dialogue and explanations with our shareholders and investors.

All board members are currently engaged in serious discussions to formulate the next Medium-term Management Plan. As we move forward with the consideration of the business and capital finance strategies we will pursue through 2030, we hope to enrich our discussions of cost of capital management and put those ideas into practice.

Company-wide ROIC tree

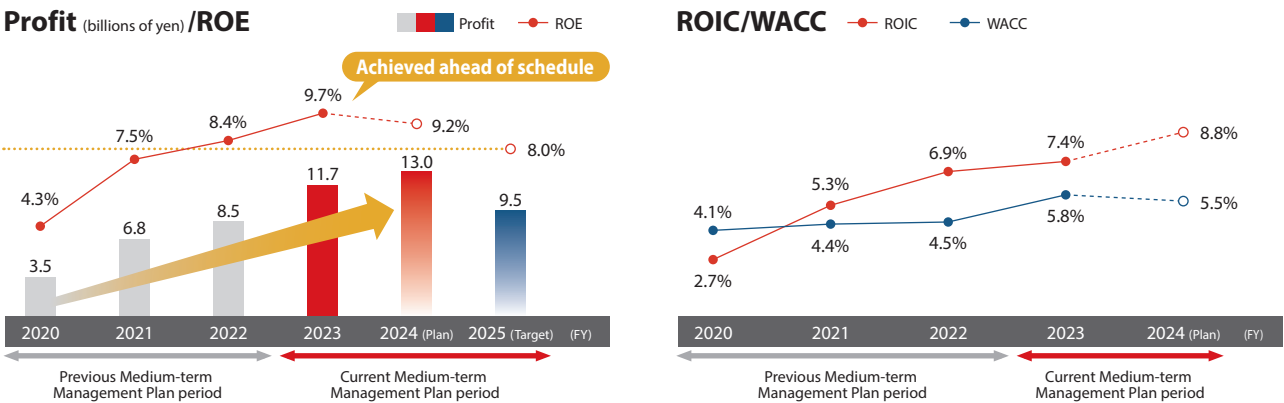


Approach to Improving Profitability

ROE and ROIC were 9.7% and 7.4%, respectively, for the consolidated performance in fiscal 2023. WACC was 5.8%, so we believe we were able to generate a return that exceeded our cost of capital. The target ROE in the Medium-term Management Plan is 8.0%. As such, it is important to continue to optimize the cost of capital while further increasing earning power. The concept of cost of capital management, which is how to effectively link invested capital to profits, has been reported at Board of Directors meetings and Management Council meetings to deepen understanding within the company. In addition, follow-ups on the results of each department's activities based on the ROIC tree have begun at monthly Cost Improvement Meetings.

With regard to individual businesses, the Powertrain

Products Business is progressing according to plan, both in terms of current achievements in improving competitiveness and profitability, and initiatives for the future. For example, we have started mass production of elite products, which are overwhelmingly competitive in terms of environmental impact, performance, and cost as next-generation products, and are expanding and switching to North America, China, ASEAN, and other global markets. In addition to expanding MMK activities to the entire global supply chain and establishing locally-led improvement activities, we are introducing innovative production lines for labor saving, energy saving, and multi-product production in order to solve future social issues and strengthen our manufacturing capabilities.



Approach to Cash Allocation

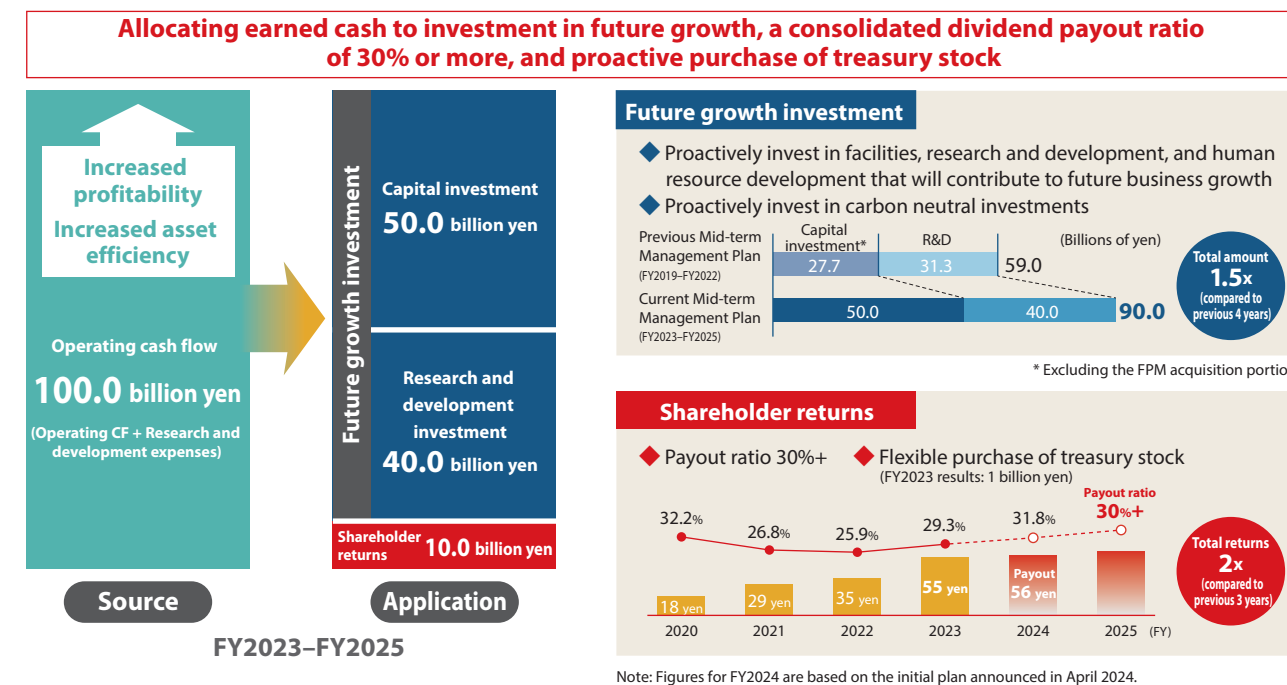
The current Medium-term Management Plan, which ends in fiscal 2025, sets a management target of 280 billion yen in net sales and an operating profit ratio of 5.0% or higher (14 billion yen). We expect to achieve both of these targets ahead of schedule in fiscal 2024, thanks to our efforts to strengthen our corporate structure during the previous Medium-term Management Plan period and our steady implementation of further growth strategies. These include strengthening the competitiveness of our existing powertrain product business and business acquisitions during the current Medium-term Management Plan period.

The current Medium-term Management Plan calls for the generation of 100 billion yen in operating cash flow over three years. We plan to use this cash flow to invest in future growth at 90 billion yen (50 billion yen for capital investment and 40 billion yen for research and development investment), 1.5 times the amount of the previous Medium-term Management Plan, with the remaining 10 billion yen reserved for shareholder returns.

Through future growth investments such as capital investment and research and development, we intend to contribute to future new business growth, human resource development, and the advancement of carbon neutrality.

Regarding shareholder returns, we plan to double the amount of total returns to shareholders from the previous Medium-term Management Plan period. This will be done by maintaining a dividend payout ratio of 30% or more over the three-year period of the current plan and by flexibly implementing purchase of treasury stock. Based on this policy, a dividend payout ratio of 29.3% (annual dividend of 55 yen/share) and a purchase of treasury stock amounting to 1 billion yen were implemented for fiscal 2023. In fiscal 2024 and beyond, we will continue to pay stable dividends averaging 30% or more, flexibly purchase treasury stock, and actively return profits to shareholders, including improving PER and ROE. We will also continue to obtain a credit rating of A- or higher as indicated by JCR (Japan Credit Rating Agency).

Growth investment and shareholder returns



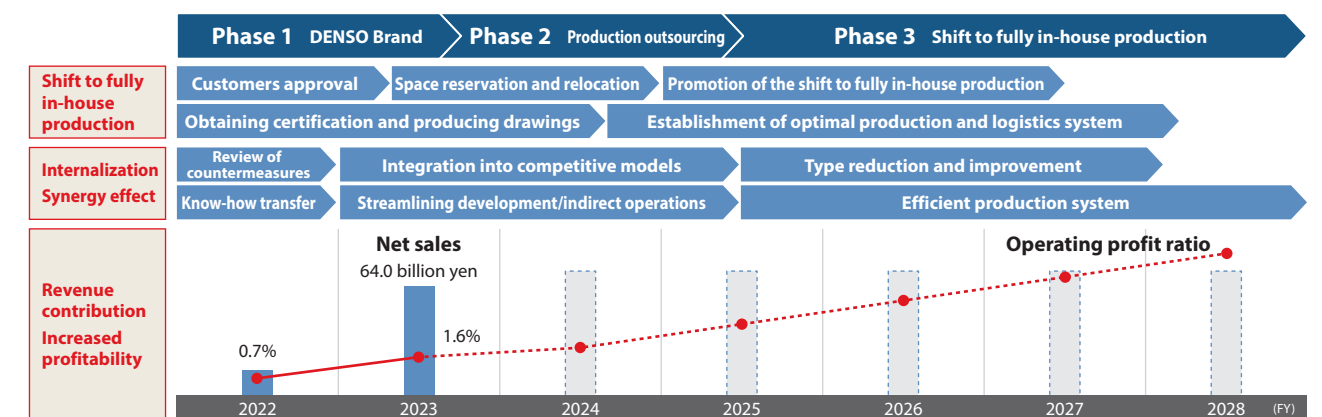
Progress in efforts to strengthen competitiveness through the acquisition of FPM business

In September 2022, we took over a series of businesses from DENSO Corporation, including the development, production, and sales of FPMs, in order to strengthen the competitiveness of our powertrain product business. As a result, our FPM global market share has reached approximately 40%, the number of customers has tripled, and the number of production units has doubled. Progress is being made as

planned in the three phases of rebranding, production outsourcing, and shifting to fully in-house production, and we are currently in the production outsourcing period of phase 2. In preparation for the full-scale shift to in-house production from fiscal 2025, we are working to secure space for in-house production, and build an optimal production and logistics system. We are also consolidating to focus on competitive

models and streamlining development and indirect operations in order to maximize synergy effects. Once the full-scale shift to in-house production starts, we expect it to contribute significantly to profits by reducing fixed costs, improving productivity through unification and reduction of types of products, promoting local procurement, and expanding production volume, etc. We also aim to raise the

operating profit ratio from fiscal 2026 onward. We are confident and proud of our technology, manufacturing capabilities, and quality, and will continue to further refine our competitiveness and profitability. We also intend to further accelerate our efforts to become carbon neutral and continue to support the automotive industry as a top manufacturer in the powertrain sector.



Upfront Investment in Businesses Contributing to the Environment

As a company committed to sustainable growth and capturing the top position in environmental technology, we are developing a variety of technologies that address future fuel diversification and enhance our corporate value. The Business Using Clean Energy Technology, which partakes in such efforts, conducts research and development for the practical application of hydrogen power generation using ammonia. This research and development began with joint research on elemental technologies with universities and specialized institutions,

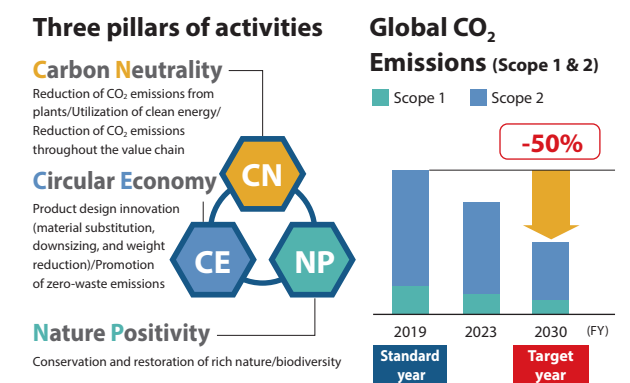
and culminated in the successful demonstration of a small 10 kW generator system to generate electricity in 2023. Looking toward the future, to advance our mastery of technology in-house, we are leveraging our proprietary technologies such as adsorption/desorption and fuel cell technologies. In addition, we are strengthening cooperation with specialized manufacturers who have strengths in fuel cell system technologies, and promoting the development of highly efficient power generation systems and the acquisition of fuel cell technologies.

Initiatives to Reduce CO₂

To promote carbon neutrality, we have been taking defensive measures such as Scope 1-3, coexistence with nature, and compliance with laws, as well as taking active measures such as resource recycling, utilization of renewable energy, and future product businesses, and have set a goal to reduce CO₂ emission by 50% in fiscal 2030 compared to fiscal 2019. In fiscal 2023, we reorganized these activities and summarized them into the three pillars of Carbon Neutrality, Circular Economy, and Nature Positivity. With these three pillars at the center of our sustainability management, we will work on Business Using Clean Energy Technology, such as the next-generation manufacturing plant and the aforementioned ammonia hydrogen power generation, to build a sustainable business model for the entire value chain.

We intend to actively allocate cash earned from activities to improve profitability and asset efficiency, as outlined in the

current Medium-term Management Plan, to these businesses that will contribute to the environment and to carbon neutrality initiatives as part of our investment in future growth.



Review and Progress of the Medium-term Management Plan

2015-2018 Medium-term Management Plan

2019-2022 Medium-term Management Plan

2023-2025 Medium-term Management Plan

Master Core Technologies and Enter a New Stage of Growth

Fundamental policy

- ◆ Further strengthen competitiveness of core products
- ◆ Achieve systemization and obtain system knowledge
- ◆ Provide support for next-generation power source and fuel diversification
- ◆ Achieve global business expansion

Main results

- Strengthening of product lineup
 - ・ DC motor EGR
 - ・ Brushless fuel pump module
 - ・ Mass production of products for LPG hybrid
- Expansion of business in India

Issues

- Strengthening of revenue structure
- Enrichment of manufacturing (capital investment for the future)
- Promotion of systemization (accumulation of technology for electrification)

From a Sales-oriented Approach to Robust Revenue Structure and Solid Growth

Fundamental policy

- ◆ Make our four products into world-class top products
- ◆ Become a company that can respond to all types of powertrain systems
- ◆ Provide solutions for new mobility

Main results

- Development of next-generation elite products
- Value chain reforms
- Rollout of MMK activities to strengthen manufacturing in Japan

Issues

- Materialization of growth strategy by leveraging alliances
- Strengthening of technological capabilities for the development of electrification systems & components
- Promotion of carbon neutrality

Establish a Stable Revenue Base New Growth Strategy

Fundamental policy

- ◆ Strengthen competitiveness and achieve further growth of the existing powertrain product business
- ◆ Achieve business growth in new areas which contribute to decarbonization, leveraging technologies and strengths

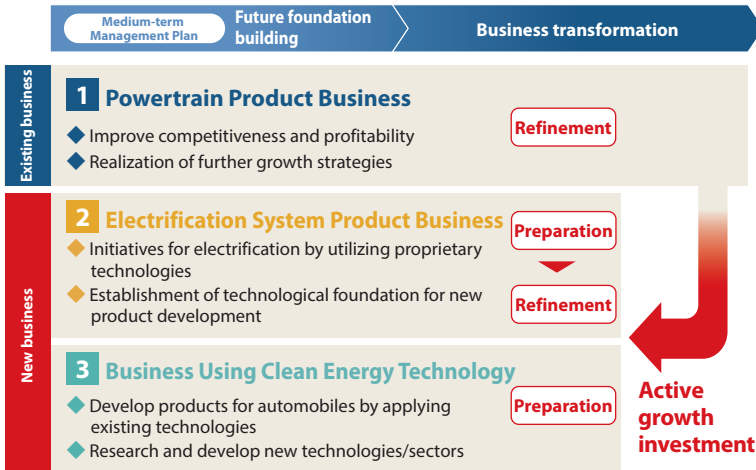
Progress

- Fuel pump module business transferred/ completed rebranding
- Entered markets for electrified products (Battery cell case, cover, and controller)
- Started demonstration test of ammonia hydrogen generator

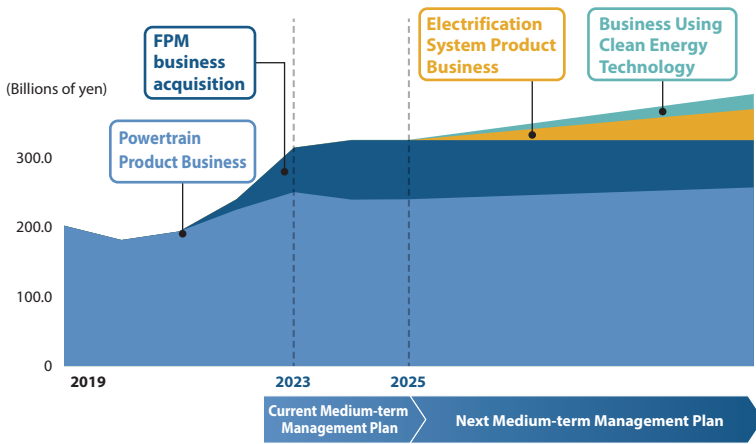
Issues

- Materialization of next growth strategy
- Strengthening of technological capabilities for systemization
- Promotion of innovative manufacturing

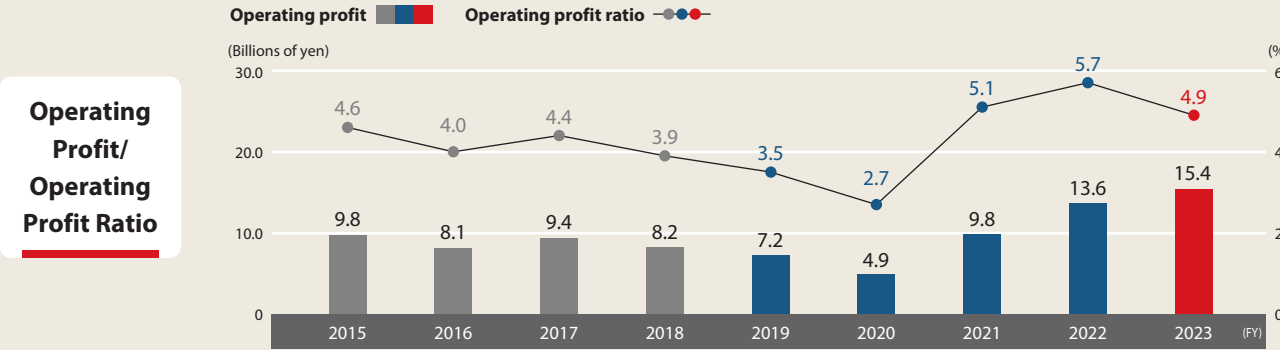
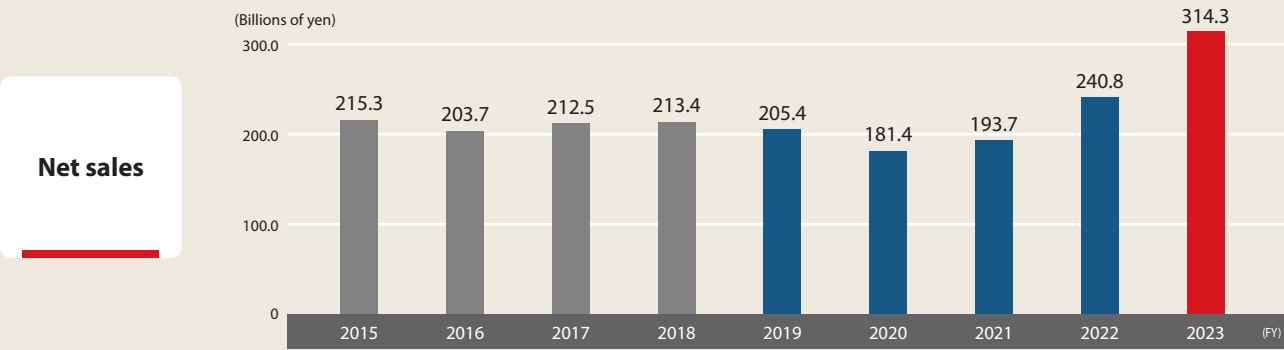
Business strategy



Medium- to long-term net sales strategy



Performance trends

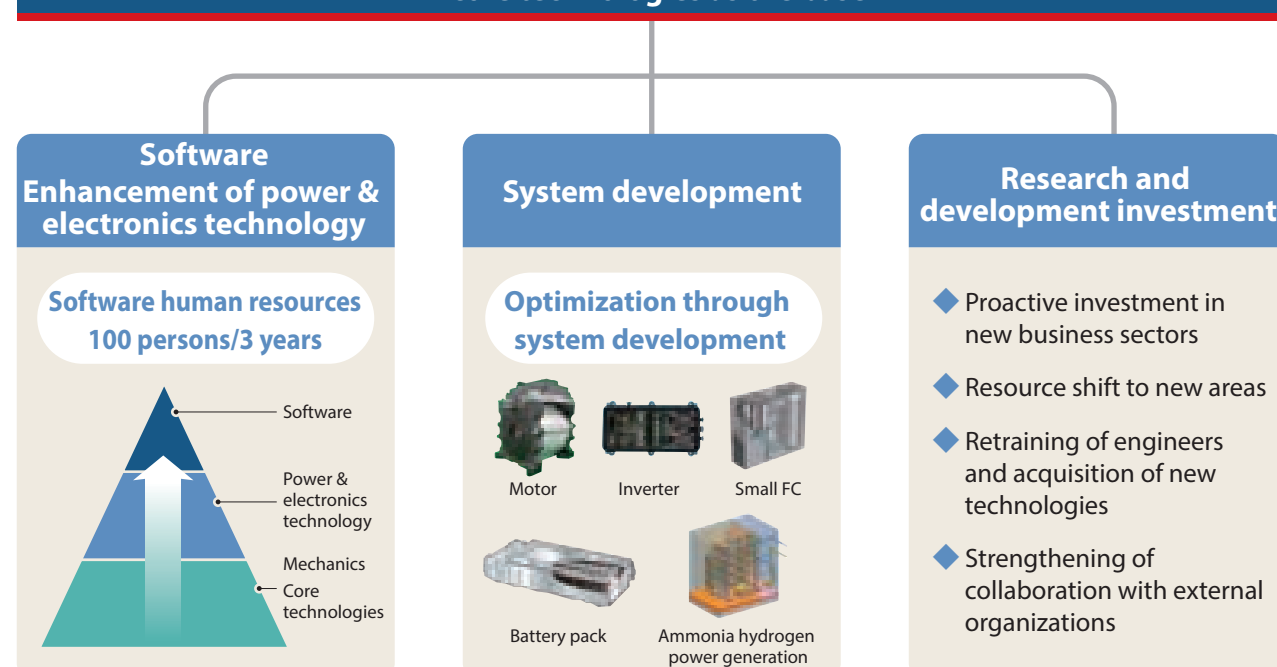


Creating New Value and Business by Strengthening and Evolving Core Technologies

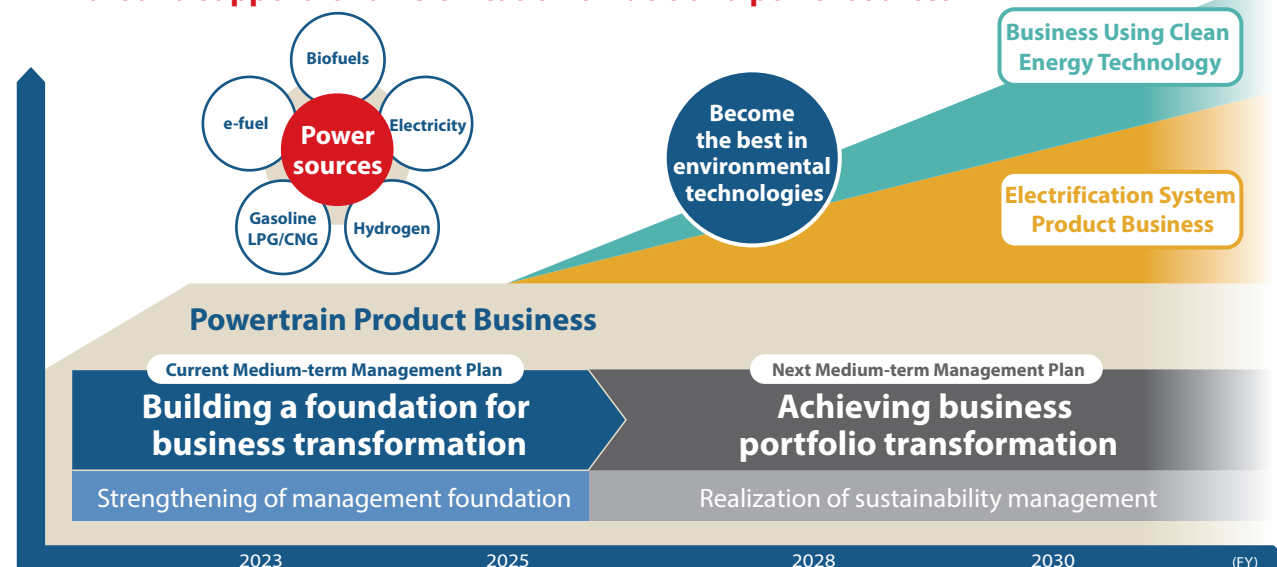
Technology Development Policy

- ◆ Contribution to the realization of a decarbonized society in all directions by refining environmental technologies
- ◆ Development of software and power electronics technologies for next-generation mobility
- ◆ Development of clean energy elemental technologies and systems to enrich society
- ◆ Reskilling and recurrent training of engineers for business transformation

Creating new value and business through new technology with the core technologies as the base

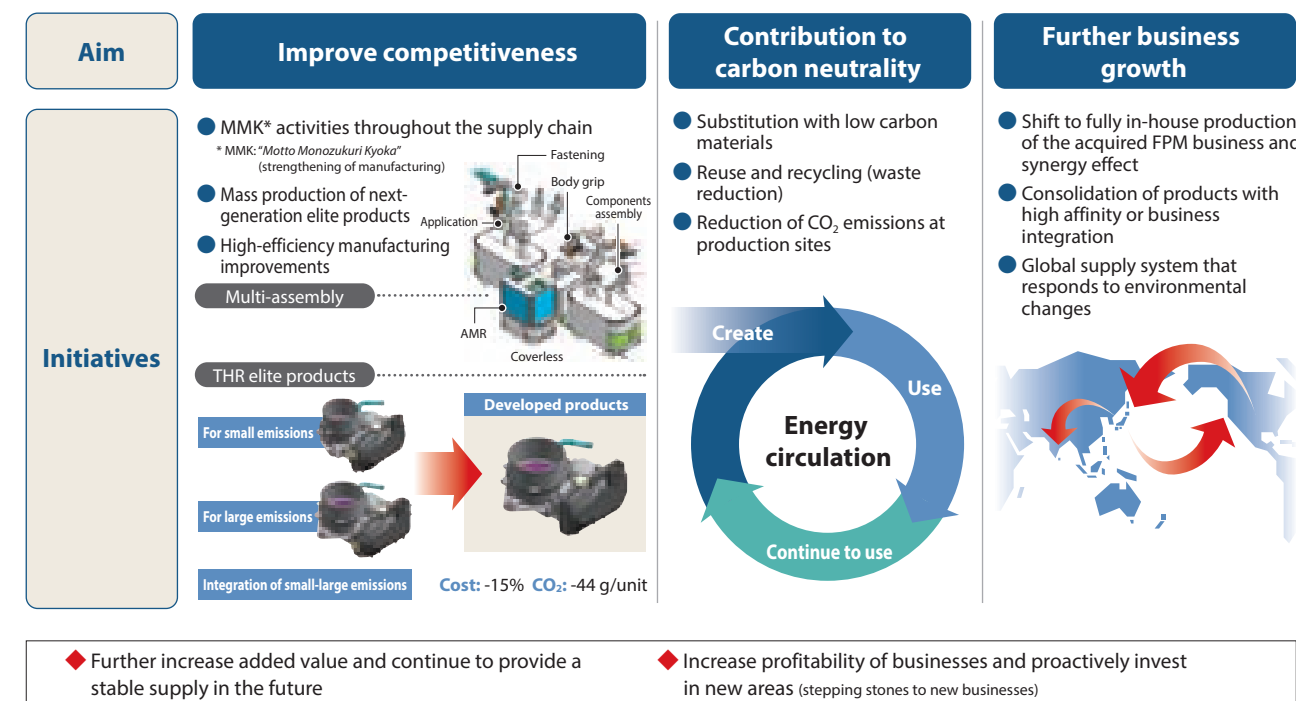


All-around support for diversification of fuels and power sources



Strengthening of Competitiveness and Further Growth of Powertrain Products

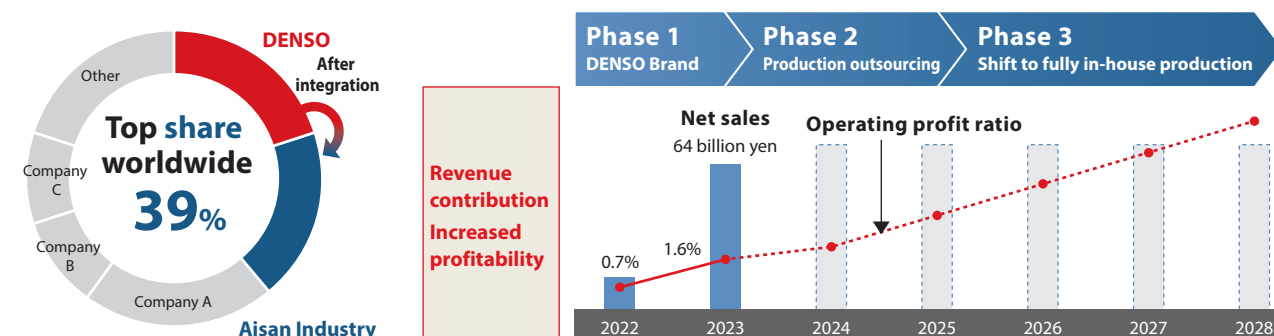
We will continue to support the automotive industry as a top manufacturer of functional components of engines, by further raising the competitiveness and profitability of our powertrain product business. We will also promote further growth in the powertrain product business and contribute to society through our businesses by promoting a new approach to manufacturing that responds to social issues such as a declining working population, and by taking on the challenge of becoming carbon neutral.



Aim to Become a Top Manufacturer and Maximize Synergies

As one of the concrete measures of our growth strategy for the powertrain product business, we took over the fuel pump module business from DENSO Corporation in September 2022. With the acquisition of the business, we have established our position as a top manufacturer with a 39% market share and a long-term stable source of earnings. The relationships we have built with new customers have also been strengthened, and we will meet the needs of our customers around the world better than ever.

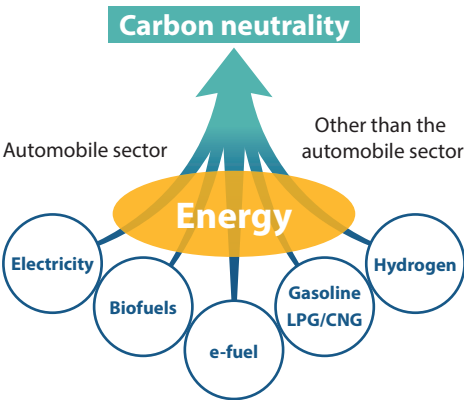
Under the acquisition, the rebranding was completed by 2023, and steps are being taken to shift to full in-house production to achieve greater profitability by 2025. We will maximize synergies by integrating part numbers and consolidating production facilities to maximize the effects of mass production.



Accelerate Growth by Strengthening Competitiveness for All Fuels and Power Sources

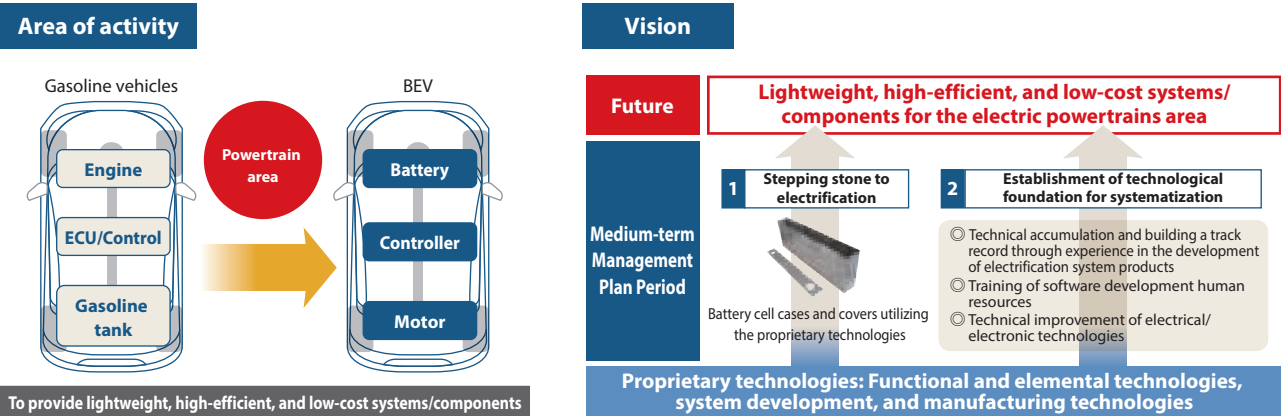
The use of a variety of energy sources, such as electricity, hydrogen and biofuels, is also being called for beyond the automotive sector in order to achieve carbon neutrality, which is seen as an important global issue.

We will accelerate our efforts to contribute to society and achieve further growth through our businesses as a company that supports the use of diverse energy sources by leveraging our strengths in fluid control technology, gas adsorption and desorption, and other environment-focused technologies to develop products that contribute to the use of clean energy.



Toward “Light Weight, High Efficiency, and Low Cost” in the Electric Powertrain Area

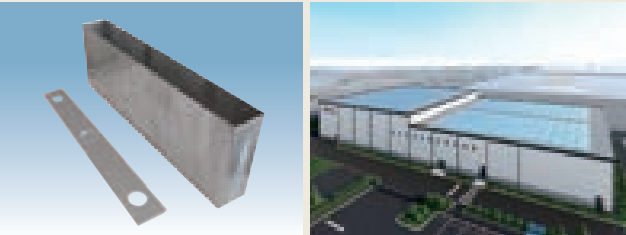
As the sources of power for cars continue to diversify, car systems are changing dramatically from gasoline engine vehicles to hybrids and then to electric vehicles. We have always been responsible for power management of highly efficient power sources. To meet market needs with the lightweight, high-efficiency, low-cost manufacturing we have cultivated over the years and the systemization technology we have acquired, we are pursuing two policies in our electrification system product business: **1** stepping stone to electrification, and **2** establishment of technological foundation for systemization.



1 Stepping stone to electrification

As we move toward carbon neutrality, electrification is also accelerating in the automotive sector. In order to contribute to these changes in mobility, we will utilize the precision metal pressing technology, which we have cultivated in the manufacturing of carburetors, to produce aluminum cases and covers to protect lithium-ion batteries for BEVs at the pressing plant we are constructing. Construction of the pressing plant began in November 2023 and is scheduled to begin operations in April 2025.

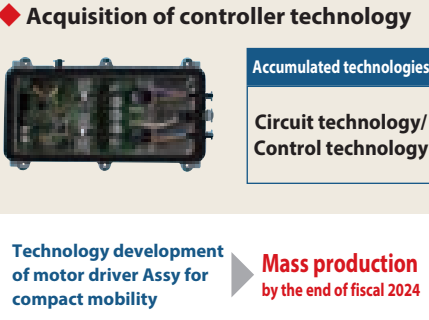
With the production of battery cell cases and covers as a stepping stone, we aim to expand our target to the production of battery packs, a higher value-added product that integrates battery modules and system components.



2 Establishment of technological foundation for systematization

To establish a technological foundation for the development of electrified products, we are focusing on building development experience and a track record, improving hardware technology, and training human resources for software development.

To build development experience and a track record, we are working on low-voltage products for compact mobility as a development theme, and have completed development of a controller for compact mobility, which is expected to go into mass production in fiscal 2024. In addition, for software technology, which is indispensable for electrification and systemization, we are actively promoting the use of external organizations and human resources so that we can train 100 software human resources in three years.

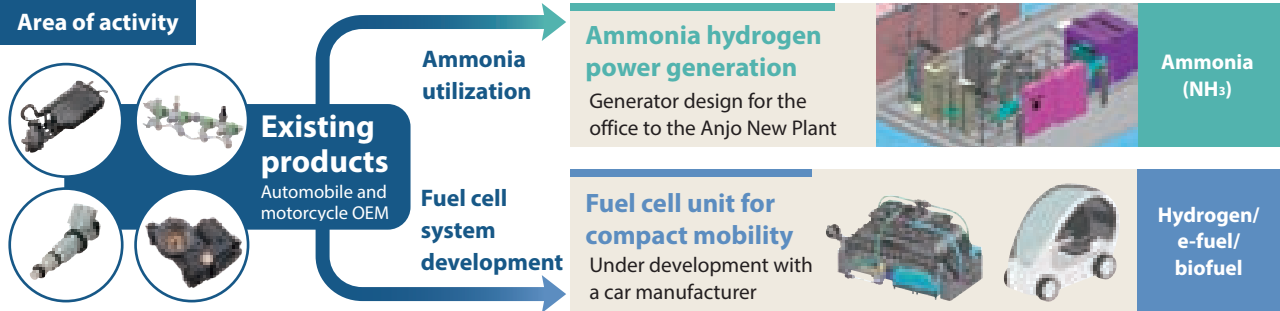


Establishing Fuel Cell System Technology to Contribute to the Widespread Use of Hydrogen

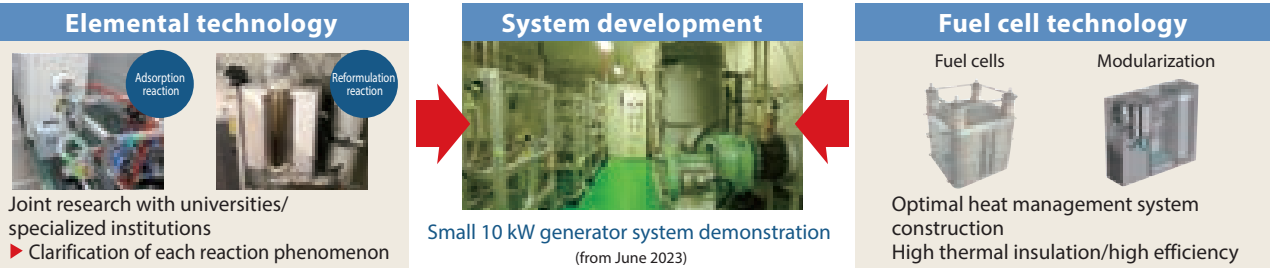
Ammonia, which can be transported at ambient temperature and pressure, is attracting attention as an alternative to fossil fuels for achieving carbon neutrality. On the other hand, ammonia is a difficult substance to handle due to its corrosive and toxic properties, so there are still some issues to be addressed before it can be put to practical use.

We have been developing products that supply gasoline, LPG, CNG, and liquid hydrogen fuel, and our technology for safely and efficiently utilizing these various fuels is one of the features that set us apart from our competitors. We are working on the development of ammonia hydrogen generators, aiming to refine the fuel-related technologies we have so far cultivated, establish fuel supply system technology with more advanced safety and durability, and acquire systemization technology to achieve higher efficiency.

In the development of ammonia hydrogen generators, we have collaborated with universities and other specialized institutions to develop elemental technologies such as reforming and adsorption to extract hydrogen from ammonia, and have produced a 10 kW experimental unit since June 2023 and successfully completed a demonstration test. In June 2023, we made MAGNEX CO., LTD., which has strengths in fuel cell system technology, into a subsidiary. We will continue to gain further control of fuel cell technology and improve the efficiency of power generation, and aim for practical application of in-house ammonia hydrogen generators in 2025.



Progress (Demonstration test)




Toward Engaging Manufacturing

With the aim of achieving carbon neutrality and shifting from labor-intensive to high value-added work, we will work to reform product manufacturing methods, production logistics, and energy supply to achieve highly efficient, carbon-neutral manufacturing. As a new manufacturing site to put these initiatives into practice, we will construct the Anjo New Plant (provisional name), which is to be completed in April 2025.

The new plant takes up the “challenge to reform manufacturing,” aiming to achieve (1) carbon neutrality, (2) a high value-added work style, and (3) provision of new value. We will take on the challenge of innovative manufacturing initiatives, such as the construction and operation of fully automated lines including logistics that do not stop 24/7, highly efficient production activities using cooperative robots in which workers and robots work together, and quality assurance using digital data and the IoT. Moreover, in our energy circulation initiatives aimed at carbon neutrality, we will utilize the latest technologies to achieve both manufacturing and carbon neutrality. This includes the implementation of a stable electricity supply demonstration using ammonia hydrogen power generation developed in-house, and the use of natural energy through the first aquifer thermal energy storage air conditioning system in Aichi Prefecture. Through these efforts, we will create a place where workers are motivated to work and want to take on the challenge of innovation.

Realization of a carbon neutral model factory



Ammonia hydrogen power generation system <ul style="list-style-type: none">Effective utilization of heat generated during power generation (system developed in-house)	Solar power generation system <ul style="list-style-type: none">Energy supply for production and office areas (air conditioning/lighting/ventilation)	Aquifer thermal energy storage air conditioning system <ul style="list-style-type: none">Heat stored in aquifer 90 m below ground level	ZEB Certification (Certified by the Ministry of the Environment) <ul style="list-style-type: none">Reduction of building energy use by halfSupply of necessary energy through energy creation	Biotope <ul style="list-style-type: none">Conservation of native species and opening up to local residentsDemonstration of microbiological power generation
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Next generation manufacturing plant

Anjo New Plant concept

Variable-mix variable-volume production

Compatible with future automotive trends

Generalization of assembly equipment


Half of the standard lead time and response to changes in production items

Energy saving (carbon neutrality)

Utilization of fully electrified and renewable energy technologies

Lines that are not stopped and do not stop

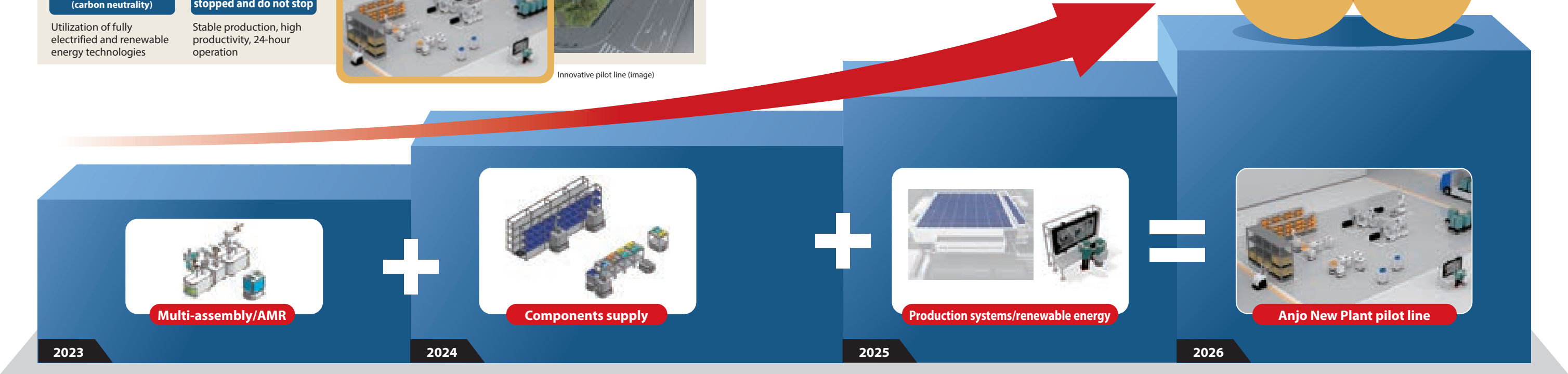
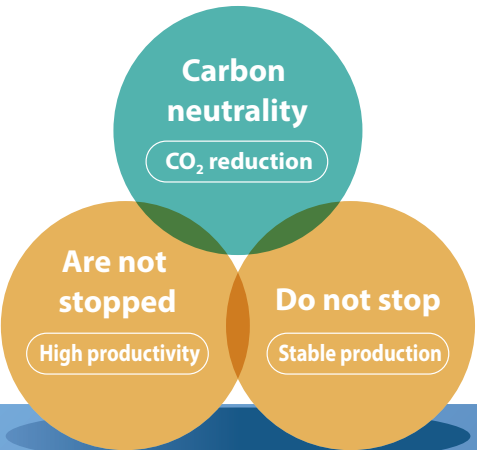
Stable production, high productivity, 24-hour operation



Innovative pilot line (image)

High-efficiency manufacturing improvements

Contributing to the next generation through attractive manufacturing



STEP 1 Change the way they are made >>>

STEP 2 Change logistics >>>

STEP 3 Change the way we work
Change energy supply >>>

STEP 4 Change the factory landscape >>>

Promoting

Sustainability Management

Point

- ◆ We have been contributing to solving environmental issues through our business activities and continue to evolve in response to social changes.
- ◆ We always maintain an awareness of respect for our employees, who form the foundation of our business activities, and we promote a workplace that is conscious of safety and health.
- ◆ Human resources are the key foundation for the realization of our Medium-term Management Plan and Management Principles, and are positioned as one of our most important management issues.
- ◆ We aim to create new value by building a good relationship of trust with each stakeholder in order to realize long-term improvement of corporate value.

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Chapter 3



Basic Approach

Disasters, food problems, and ecosystem changes caused by climate change have had a serious impact on nations around the world in recent years. As a company aiming to be a leader in environmental technologies, we will contribute to the fight against global climate change and fulfill our corporate social responsibility to help build a sustainable, recycling-based society.

In order to make our environmental efforts more efficient and systematic, we have been ISO 14001 certified since 1999 to ensure continuous improvement of our environmental performance and compliance with laws and regulations. We also endorse international initiatives and strive for transparent and appropriate disclosure of environmental information through the TCFD (Task Force on Climate-related Financial Disclosures) and the CDP (Carbon Disclosure Project).

Since 2023, we have participated in the GX League led by the Ministry of Economy, Trade and Industry, and have been working with other leading companies and related organizations to solve environmental issues.

Through these efforts, we will take firm steps toward building a sustainable future, fulfill our responsibilities as a company, and contribute to environmental protection and the creation of a sustainable society on a global scale.



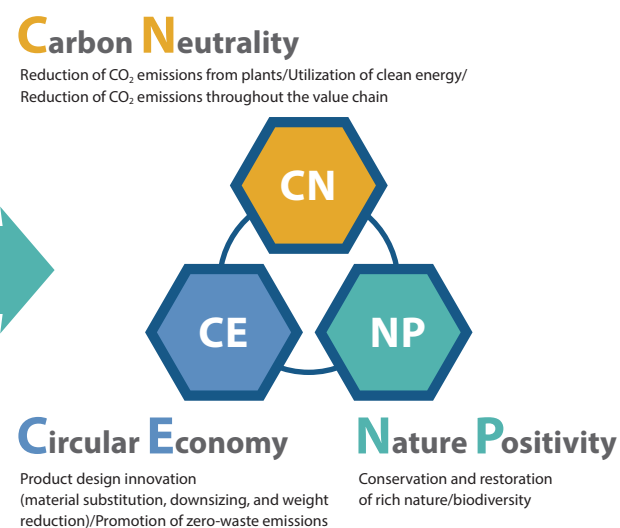
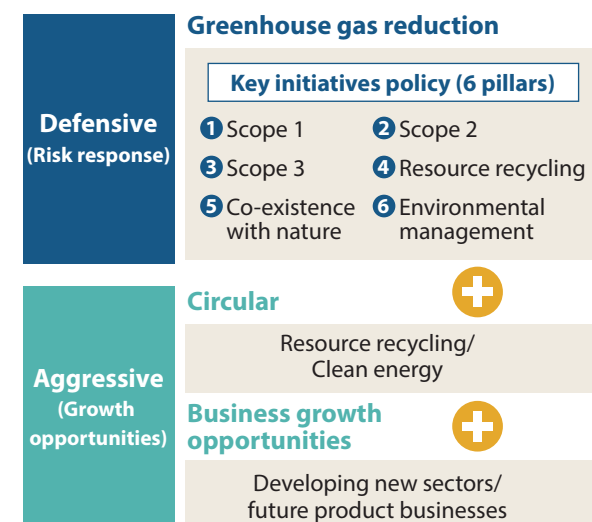
Yoshitomo Yamaga
Executive Officer
(In Charge of Carbon Neutrality Promotion)



Three Pillars of Activities

We have been steadily implementing “defensive (risk response)” measures such as greenhouse gas (GHG) reduction, waste reduction, coexistence with nature, and environmental management. We have also been creating “aggressive (growth opportunities)” measures such as the use of clean energy to reduce environmental impact and the creation of new businesses represented by hydrogen/electric mobility products. In order to respond to the recent rapid changes in

the external environment and to achieve greater efficiency in our efforts, we have restructured our existing framework of “defensive” and “aggressive” initiatives and positioned “carbon neutrality,” “circular economy,” and “nature positivity” as the three pillars of our environmental management. Based on these three pillars, we aim to build a sustainable society through close cooperation not only among ourselves but also among our partners throughout the value chain.



Carbon neutrality

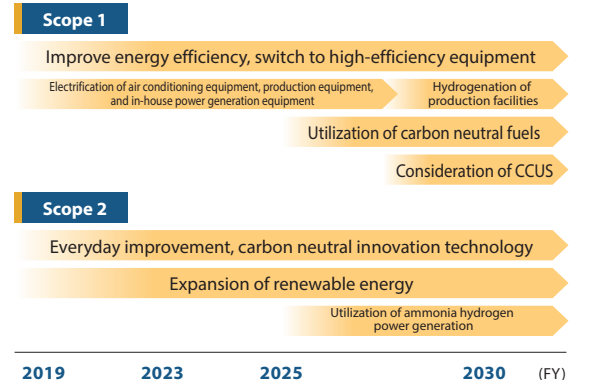
Scope 1 & 2 Approach and roadmap

We aim to achieve virtually zero GHG emissions from our own production activities by 2050.

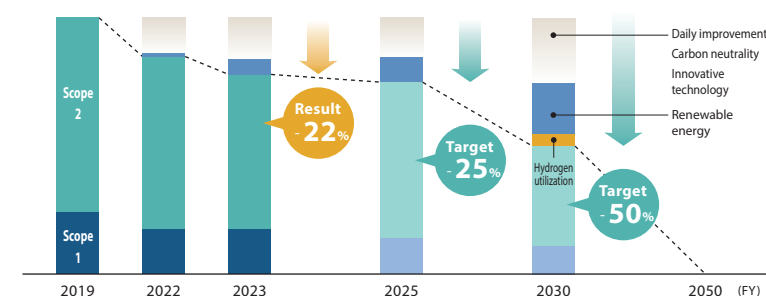
For Scope 1, we are continuously improving energy efficiency and reducing fuel consumption. In addition, when renewing facilities, we will promote electrification and hydrogenation to move away from fossil fuels.

For Scope 2, we are working to reduce electricity consumption through daily improvements and the introduction of innovative technologies in production lines and power equipment. We will also promote the shift to sustainable energy sources by expanding the use of renewable energy sources such as solar power and green power.

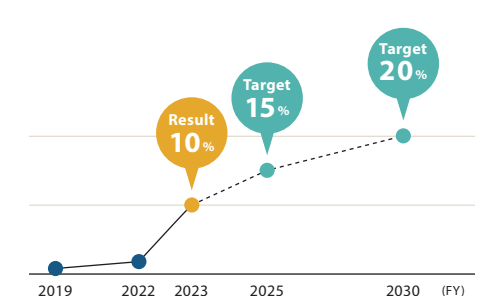
Future plans



CO₂ (Scope 1 & 2) Emissions KPI Page 74

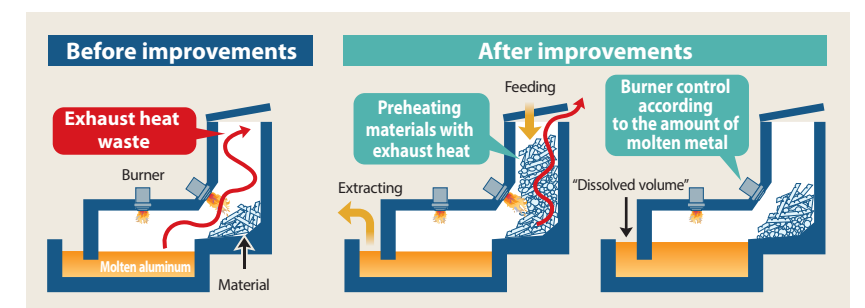


Ratio of renewable energy use



Improvement of energy efficiency

In the aluminum die-casting melting process, exhaust heat from the melting furnace is used to preheat materials. We also minimized the energy required for melting by controlling the output of the burner according to the amount of melting. We strive to improve energy efficiency through the effective use of exhaust heat and optimal burner output control.



Expansion of renewable energy

We have been systematically installing solar power generation in conjunction with the new construction of our buildings. In fiscal 2023, we introduced on-site solar power generation at two new sites (Hirose Technical Center and Czech Republic). Aisan Industry Czech s.r.o. (AIC) in the Czech Republic has installed approximately 1,600 kW of new solar panels on the roofs of its two plants. The amount of electricity generated is expected to be approximately 1,670 MWh per year, which will cover approximately 20% of the annual electricity consumption of AIC.

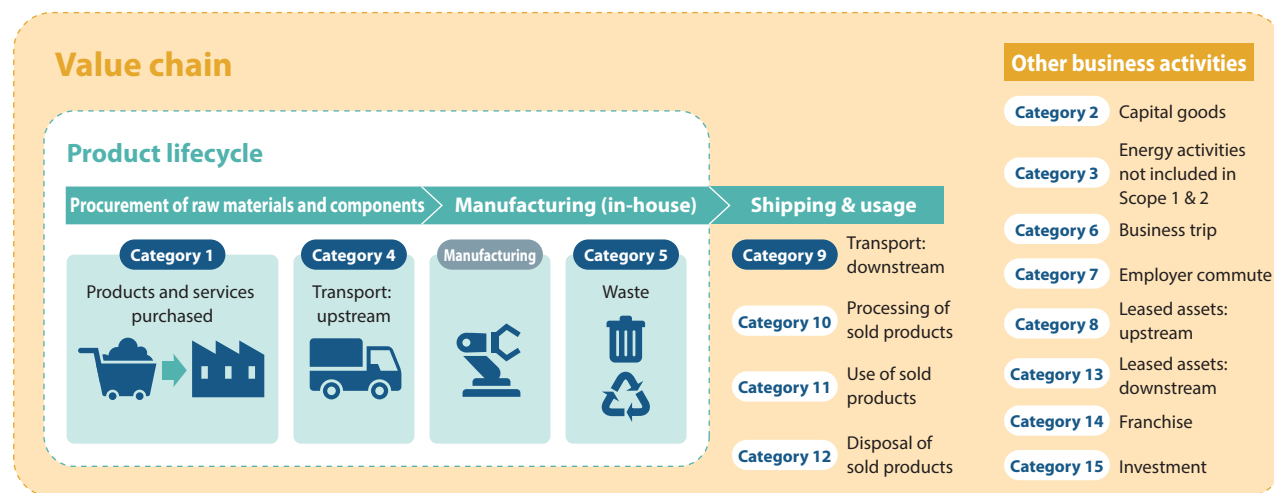
In the future, we plan to newly introduce solar power generation at P.T. Aisan Nasmoco Industri (ANI) in Indonesia and at Anjo Plant, and expand its implementation at Aisan (Foshan) Auto Parts Co., Ltd. (AFA) in China.



Scope 3 Approach and roadmap

We will promote activities in GHG emissions reduction throughout the value chain (Categories 1-15), especially from a product life cycle (LCA) perspective (Categories 1, 4, 5, and 9).

Specifically, we will strengthen collaboration with our customers and suppliers, expand the scope of MCK (*Motto Carbon-neutral Kyoka*, "Further Strengthening of Carbon Neutrality") activities to Scope 3, and engage in activities such as material replacement with low-CO₂ materials, joint transportation with customers and suppliers in logistics, minimization and recycling of production waste in business activities.

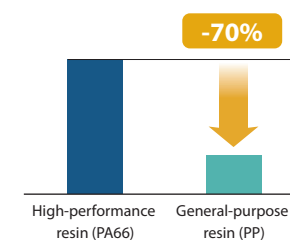


Expand use of low-CO₂ materials (general-purpose materials)

We are replacing high-performance materials, which have a large environmental impact, with low-CO₂ materials (general-purpose materials), with the aim of reducing environmental impact while fulfilling our responsibility to provide a stable supply of products. Until fiscal 2022, we focused our activities on specific products, and from fiscal 2023, we shifted our perspective from "products" to "materials" and expanded the scope of our activities for a more comprehensive approach.

In general, high-performance resin materials have excellent performance, but their high environmental impact during the manufacturing process has been an issue. Switching to general-purpose resin materials not only reduces environmental impact (lower CO₂ emissions), but also contributes to improved recyclability and waste reduction.

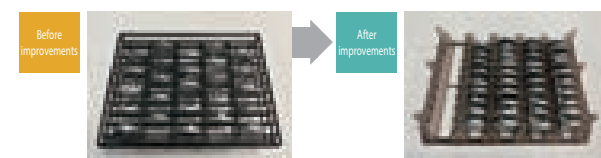
Comparison of CO₂ emissions of resin materials



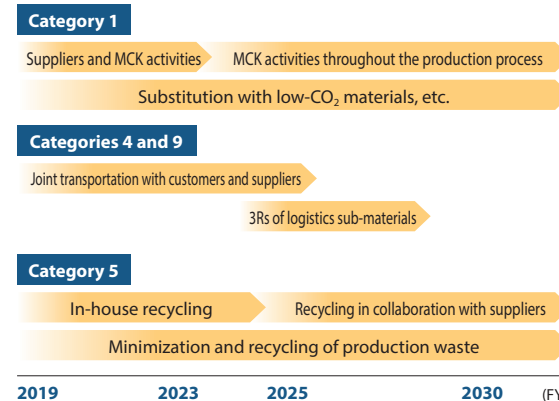
MCK activities in the entire production process

Through activities for providing support to suppliers, our Manufacturing Improvement and Logistics Planning members developed a tray that can be used for both cleaning and transportation to address our supplier's issues. The development of the dual-use tray has realized (1) a 50% reduction in cleaning energy (doubling the conventional capacity), (2) elimination of refilling work after cleaning, and (3) improved transportation efficiency through an increase in the number of boxes accommodated.

Cleaning and transportation tray



Future plans



Improved reliability of environmental information disclosure

Third-party verification audit fiscal 2023

Target of verification (Scope)

- ◎ Scope 1, 2, 3; Categories 3, 6, and 7 (The Company and all of its consolidated subsidiaries)
- ◎ Scope 3 Category 5 (The Company and its consolidated subsidiaries in Japan)
- ◎ Water withdrawal (The Company (5 domestic locations))



Circular Economy

Approach and roadmap

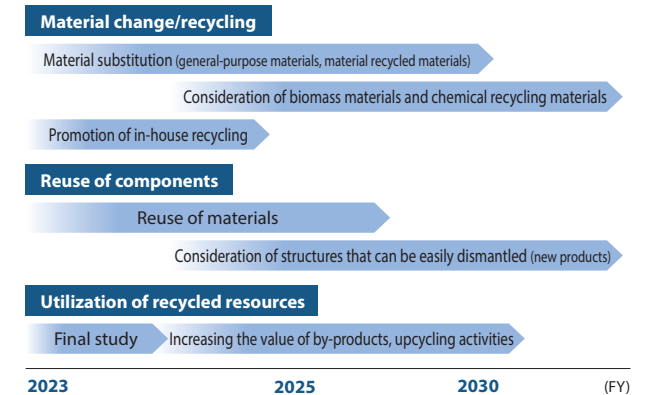
We view all materials, products, and waste as "resources" and promote the efficient use of resources throughout the product life cycle to ensure the sustainable use of limited resources.

We have worked to further promote reuse and recycling, replace materials with recycled materials, and make effective use of by-products.

Going forward, we will bring new perspectives to the initiative, including the use of biomass materials, consideration of structures that can be easily dismantled, and upcycling of by-products.

Circular Economy

Future plans



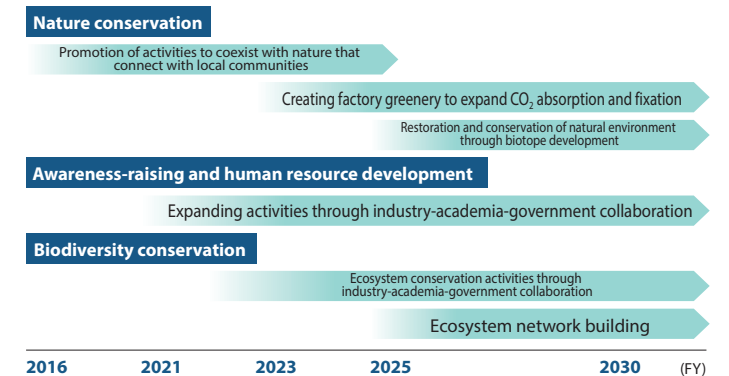
Nature Positivity

Approach and roadmap

As part of our commitment to nature positivity, we are working to contribute to the preservation of biodiversity through climate change countermeasures and the recycling of resources. To minimize the environmental impact on ecosystems, we promote the efficient use of water resources and work with local communities to implement environmental protection activities.

Going forward, we will further strengthen collaboration between industry, academia, government, and local residents to conserve and restore the rich natural environment and biodiversity, and aim to be certified as a 30by30 nature symbiosis site by the Ministry of the Environment.

Future plans



Activities to coexist with nature that connect with local communities

In addition to greening activities on the plant premises, we have been planting mangroves and other trees outside the premises. In fiscal 2023, we conducted tree-planting activities at Aisan Auto Parts India Pvt. Ltd. (AAI) in India with elementary school children in the surrounding area.

This initiative is a concrete demonstration of the principles of our VISION2030 "Beaming future is in our hands." Its activities communicate to children, the future leaders of our society, the importance of environmental conservation and our contribution to nature.



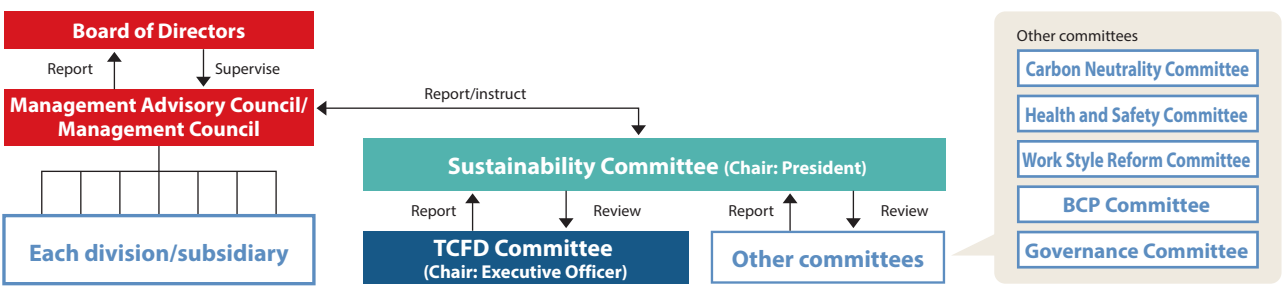
Tree planting activities at a local elementary school

Information Disclosure Based on the TCFD Recommendations

The Company Has Announced Its Support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and Will Expand the Scale of Information Disclosures to Them.

Governance

The Sustainability Committee, which is chaired by the President, verifies the direction and its appropriateness related to all issues concerning sustainability, including climate change. In addition, the TCFD Committee (meetings held at least once every three months), which is a subcommittee of the Sustainability Committee, formulates, executes, and manages plans related to the climate change issue.



Risk Management

The Sustainability Committee of the Aisan Group comprehensively manages risks, including climate change risks that may have a major impact on management as reported by the TCFD Committee, as well as other risks that also may have a major impact on management reported by other individual committees*. Risks reported by each committee are extracted, analyzed, and evaluated in consideration of their likelihood of occurrence and impact, then priority risks are selected and various measures for risk reduction are implemented by the department in charge.

The individual committees check the progress of various measures and the latest status of risks and report important matters to the Sustainability Committee. The Sustainability Committee provides direction and supervision regarding risk management based on these reports.

* Individual committees: Carbon Neutrality Committee, Health and Safety Committee, Work Style Reform Committee, BCP Committee, and Governance Committee

Indicators and Targets

At COP28, the need for urgent action to achieve the 1.5°C target, the peaking of emissions by 2025, and emission reductions for all gases and all sectors were specified, and environmental laws and regulations in Europe and other regions have been strengthened, making the need to reduce greenhouse gas emissions and contribute to the environment even greater than last year.

As an environmental company, the Aisan Group will promote the decarbonization of the global environment by responding to international initiatives for the disclosure and assessment of information on climate change countermeasures.

We are currently working to reduce greenhouse gas emissions throughout our supply chain by enhancing our efforts to improve manufacturing processes and reform technologies at the product manufacturing level, developing clean energy technologies using energy sources such as ammonia and hydrogen that contribute to decarbonization, and developing next-generation mobility products such as e-fuel/hydrogen engines and batteries. We will also promote collaborative efforts throughout the supply chain to reduce greenhouse gas emissions through resource recycling, including the 3Rs (Reduce the amount of waste, etc. generated, Reuse recycled resources, and Recycle) and the Renewable (biomassification, use of recycled materials, etc.) initiatives throughout the entire product lifecycle. Furthermore, we will reduce our environmental impact by collaborating with industry, academia, government, and local communities in environmental activities such as conservation and restoration of the natural environment and biodiversity of our business sites and surrounding areas, and development of human resources with an environmental focus.

Main target values for 2030 to become carbon neutral

Category	Item	Target
Reduction of CO ₂ emissions (Compared to FY2019)	(1) Scope 1 & 2	50% reduction
	(2) Scope 3	50% reduction* ¹
Clean energy technology utilization	Renewable energy	20%
	Energy creation	5%* ²
Resource recycling	Waste	Zero emission

*¹ Category and scope under consideration *² Self-sufficiency rate of energy other than renewable energy

For more information on the target values for the entire value chain, please scan the 2D code.



Strategy

Based on the social vision under multiple (1.5°C/2°C/4°C) scenarios*, risks and opportunities are arranged for fiscal 2050 in addition to fiscal 2030, to assess the financial impact in fiscal 2030, and measures to reduce risks and create opportunities are being taken.

* 1.5°C/2°C: NZE (Scenario to achieve global net zero emissions by 2050), APS (Scenario that reflects aspirations declared by ambitious countries)
4°C scenario: SSP 5–8.5 (Maximum emissions scenario without implementation of climate policy, under fossil fuel dependent development)

Risks/opportunities and response to climate change

Category	Details		Timescale	Impact level	Aisan Group's response	
Transition risk	Policy/Regulation	Greenhouse gas emissions regulations	Strengthened energy policies and increased manufacturing costs due to the use of renewable energy	Medium- to long-term	Medium	<ul style="list-style-type: none">● Thorough elimination of wastefulness● Global rollout of domestic improvement items
	Technology	Introduction of carbon tax	Increased production cost due to the implementation of carbon tax	Medium- to long-term	Medium	<ul style="list-style-type: none">● Improvement of energy efficiency● Introduction of renewable energy● Generation of clean energy by ammonia hydrogen power generation, etc.
			Increased procurement costs due to passing on of carbon tax to prices	Medium- to long-term	Medium	<ul style="list-style-type: none">● Adoption of low-CO₂ materials● Waste reduction and recycling● CO₂ improvement activities with suppliers
	Market	Increased demand for low-carbon/ decarbonized products	Delay in recovering investment costs due to delay in transition in new areas	Medium- to long-term	Large	<ul style="list-style-type: none">● Business planning for future products that take environmental changes into account, and intensive input of resources
	Market	Shift in customers' sense of value	Decreased sales in engine parts due to the prevalence of battery electric vehicles (BEVs)* ¹	Medium- to long-term	Large	<ul style="list-style-type: none">● Business growth in new areas which contribute to decarbonization leveraging technologies and strengths
Physical risk	Reputation	Insufficient environmental initiatives and disclosures	Decline in corporate value and customer trust	Medium- to long-term	Medium	<ul style="list-style-type: none">● Improvement of the score by rating agency (CDP, etc.) thanks to the CO₂ reduction initiatives
	Acute	Frequent, severe, and prolonged natural disasters	Temporary production halt due to disrupted supply chain	Medium- to long-term	Medium	<ul style="list-style-type: none">● Further strengthening of BCP structure▶ Improvement of inventory management precision▶ Continuation of supply chain BCP
	Technology	Acceleration of electrification and industry restructuring	Increase in share of core products	Short- to medium-term	Large	<ul style="list-style-type: none">● Establish advantages over competitors▶ Switch to next-generation elite products▶ Strengthening of manufacturing (multi-assembly)
Opportunity	Market	Expansion and development of low-carbon products	Increase in revenue of hydrogen supply units following the expanded application of hydrogen energy	Medium- to long-term	Medium	<ul style="list-style-type: none">● Promotion of the development of products for next-generation FCVs/ hydrogen engines
			Increase in opportunities to enter markets for electrified products due to increase in electric vehicles (BEV/ PHEV/FCEV)* ¹	Medium- to long-term	Medium	<ul style="list-style-type: none">● Provision of lightweight, high-efficiency, and low-cost systems and components● Product development leveraging proprietary technologies● Establishment of a new plant to produce future products● Product development for compact mobility
			Expanding business opportunities in new areas of carbon neutrality	Medium- to long-term	Medium	<ul style="list-style-type: none">● Research and development of new technologies and new areas▶ Components for ammonia supply system▶ Compact FC module
			Growing demand for products that contribute to lower emissions	Medium- to long-term	Small	<ul style="list-style-type: none">● Development of products for vehicles applying existing technologies (FFV*² technology)▶ Products compatible with synthetic fuels/biofuels

[Timescale] Short-term: through 2025; Medium-term: through 2030; Long-term: through 2050
[Impact level] Impact on single-year operating profit: Large, 2.0 billion yen or more; Medium, 0.1 billion yen to less than 2.0 billion yen; Small, less than 0.1 billion yen
[Aisan Group's response] We have incorporated initiatives for mitigating risks and creating opportunities related to climate change in the Medium-term Management Plan announced in November 2022 and are promoting activities accordingly.
*¹ Assumption of the number of units is calculated based on the 2°C scenario *² FFV: Flexible-fuel vehicle

For more information on Aisan Group's response, please scan the 2D code.



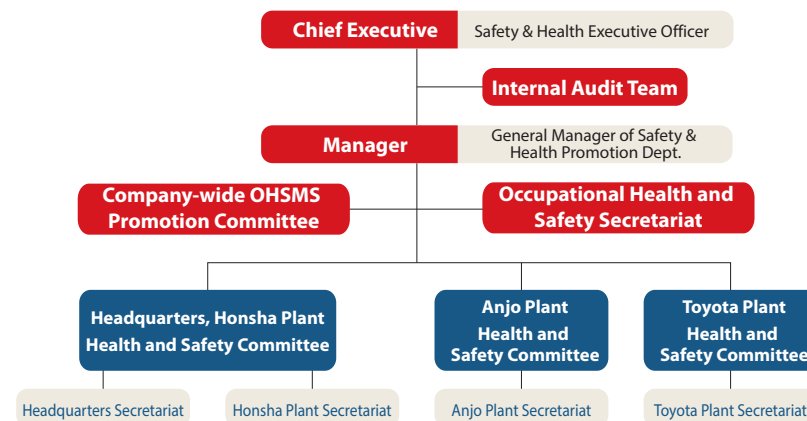
Initiatives for Health and Safety, and Health and Productivity Management

Occupational Health and Safety Philosophy

Health and safety form the lasting foundation of a business. Based on our recognition of our social responsibilities, we will all work together to create a safe, secure, and comfortable work environment following the basic principles of respect for humanity, health first, and safety first.

Promotion System

Based on the promotional system of the Occupational Health and Safety Management System “ISO 45001,” an international standard, certified in November 2021, we are rolling out activities in which each workplace takes the initiative.



Directions of the Initiatives

	Activity category	Initiatives
Workplace safety	Preventive activities	Creating a culture and people who can abide by the rules
	Continuation of ISO 45001 certification	Level up through management system operation
	Management of safety awareness indicators	Level up activities according to the level of safety awareness
	Legal compliance	Reinforcement of workplace self-management systems

Main initiatives of fiscal 2023

◆ All Aisan STOP6 activities

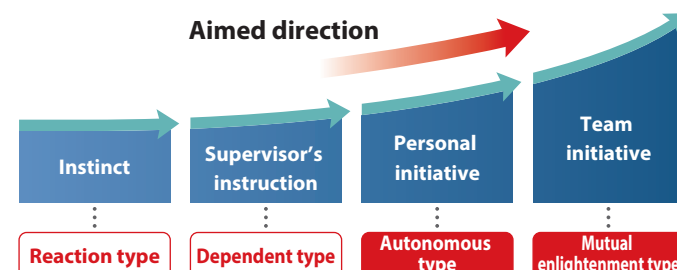
We were able to make significant progress in our efforts by identifying target operations, conducting risk assessments, and completing the development of procedures and training at all Group companies. Meanwhile, since activities and progress at each site vary, we will aim to strengthen collaboration and ensure that activities are fulfilled going forward.

◆ Establishment of the Health and Safety Day

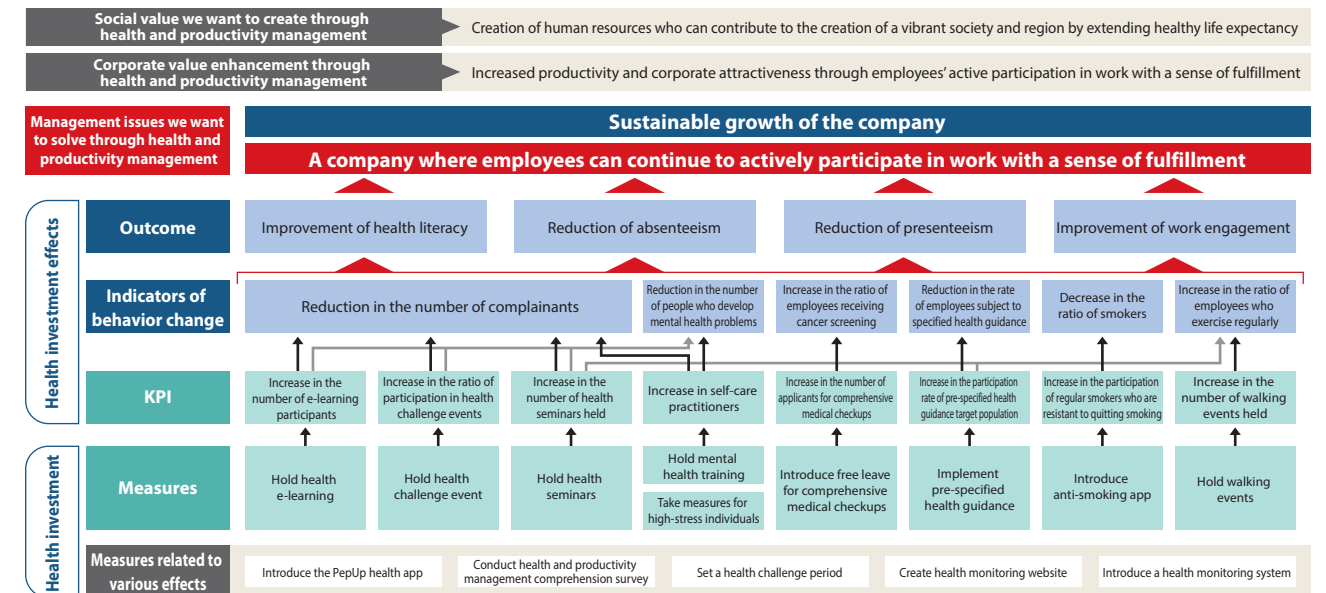
In order to make safety and health an ordinary and natural part of our corporate culture, we designated the days with a zero (0) in them as Health and Safety Day each month, and promoted voluntary activities by small groups. While some have praised the activities as a form of workplace communication, some workplaces have not yet established these activities. As such, we will work to provide tools and information to help them establish and stimulate these activities.

◆ Development of safety awareness indicators (visualization)

The Company decided to use a questionnaire to visualize the actual status of safety awareness (trends, issues, etc.) and to develop indicators of awareness levels in order to make more focused and effective efforts. Going forward, we will develop activities based on this reality to raise the level of awareness, leading to the creation of “mutually enlightening” people and culture.



Health and Productivity Management Strategy Map



Health and Productivity Management KPI

Health and productivity management KPI	FY2023 results	FY2025 target
Ratio of employees diagnosed with health problems that require further tests/treatment	35.9%	35%
Presenteeism	17.0%	15%
Absenteeism	Average number of days used for sickness allowance: 2.0 days	1.2 days
Work engagement	64.1%	65%

Health and productivity management indicators (excerpts)	FY2023 results	FY2025 target
Ratio of employees receiving comprehensive medical checkups	76.4%	90%
Ratio of employees receiving stress checks	94.7%	95%
Ratio of employees who exercise regularly	27.4%	30%
Ratio of smokers	24.0%	20%

Methods of measurement: * Presenteeism: SPQ (Single-Item Presenteeism, University of Tokyo, 1-item version)
 * Absenteeism: Total number of days used for sickness allowance system/Average number of days used per person
 * Work engagement: Ratio of employees who selected “high/normal” out of 4-level evaluation of “job satisfaction” in stress check item (including temporary employees for some items).

Main initiatives of fiscal 2023

◆ Selected as one of the 2024 Certified Health & Productivity Management Outstanding Organizations “White 500” and “Sports Yell Company 2024”

In 2018, the Company established the Health Declaration, and the Company, labor union, and healthcare union have worked together to promote health and productivity management and continue practical activities. As a result, we have been selected as one of the Health & Productivity Management Outstanding Organizations “White 500” for six consecutive years. Since fiscal 2020, when the ratio of employees who exercise regularly fell below 30% during the pandemic, we have begun to more actively encourage our employees to exercise. As a result of these activities, we were selected for the first time this year as a “Sports Yell Company 2024,” which annually recognizes companies that are actively engaged in the implementation of sports to improve the health of their employees.



◆ Declaration of smoking cessation

In May 2024, the president announced the Declaration of smoking cessation, aiming for a ratio of smokers of 20% or less by 2025, the fifth year since the total smoking ban on the premises was initiated. Declaring that we have entered the phase of support for smoking cessation from passive smoking prevention, we have introduced a full-scale online smoking cessation program, aiming to help employees stop smoking and quit smoking altogether.

◆ Promotion of comprehensive medical checkups

◎ Costs covered by the company and health insurance
 ◎ Introduction of leave for comprehensive medical checkups
 ◎ Cancer screening included in the basic course
 Provide an environment in which employees aged 35 and over can receive comprehensive medical checkups with peace of mind.

◆ Implementation of seminars by in-house public health nurses

Seminars are held monthly by in-house public health nurses, with content tailored to seasonal and employee needs, such as “how to read medical checkup results,” “measures against high blood pressure,” and “measures against heat stroke.”



We will Clarify the Challenges of Human Capital Management and Strive to Realize Our Vision.

Syozo Kai Chief Division Officer, HR Infrastructure Division

The automotive industry is facing a challenging environment of significant and rapid changes, such as tighter regulations in various countries to achieve carbon neutrality and the increasing electrification of cars. In addition, there is an even stronger demand for companies to address the SDGs as part of their corporate social responsibility.

The key to achieving our vision and Medium-term Management Plan is human resources, and the Company regards the enhancement of the value of human capital as one of our important management issues. Based on our management principles and sound and strong labor-management relations, we are implementing activities based on three pillars: cultural reform, human resource transformation, and participation of diverse human resources. The ultimate aim is to become a team and organization where human resources who learn, think, and boldly take on challenges autonomously can continue to grow together while mutually respecting and energizing each other.

The Medium-term Management Plan sets business policies of “strengthening of competitiveness and further growth of existing powertrain product business” and “business development in new areas that contribute to decarbonization leveraging technologies and strengths.” Based on these policies, we believe that it is imperative to train human resources to be skilled in software. We will also articulate the goals and challenges of human capital management, improve the level of our practices each year, and enhance the content of our disclosures.

Organizational chart and key activities



* MMK: "Motto Monozukuri Kyoka" (strengthening of manufacturing)

Aisan’s Ideal Human Resources and Culture

	Autonomous human resources that can take on challenges	A corporate culture where people mutually respect and energize each other	Software human resources
Previous issues	The results of the employee engagement survey revealed that while employees are honest and earnest in promoting their work and have a high intention to continue working, they tend to be passive and hang on to the company, hesitant to take the initiative in changing their ways.	While achieving the annual KPI targets and receiving evaluation certification from an external organization, the Company's focus on women's empowerment has been lagging behind in training female managers at production sites. As such, there is still a need to support early return to work after childcare or nursing care, and create an environment where employees can balance work and family life.	The traditional business areas have a large ratio of human resources with mechanical knowledge, and there is an urgent need to increase the number of software human resources needed for CASE. In addition, software-related business areas cover a wide range of sectors, and the challenge is to secure the number of people who can handle a wide variety of sectors.
Vision	In order to realize VISION2030 and the Medium-term Management Plan, we aim to develop human resources who can not only propose further evolution and enrichment of the existing powertrain product business, but also take the initiative to learn, think, take on challenges, and make proposals with respect to new business sectors that contribute to decarbonization.	In pursuit of creating new value in a rapidly changing society, we aim to create a culture, workplace, and people where each employee has strong aspirations and a sense of fulfillment, and where both the individual and the company can experience growth through vigorous and rewarding work.	As the value of cars changes with CASE and the services required for cars change, we will promote participation in the IT area with human resources who can break away from conventional business and transform their ideas, and promote a shift to software-centered business.

Towards Human Resource Transformation

In order to develop human resources that continue to take on the challenge of innovation, we actively invest in reskilling and upskilling. In fiscal 2023, we introduced on-demand learning tools and the learning management system Aisan Manabiba to support employees’ autonomous learning, and are preparing for the complete revision of the education system from a selective to an autonomous system, which we plan to implement in the future.

From April 2024, in order to build and strengthen the management structure, a new qualification, “executive position,” was established as a position that sits between the Executive Officer and executive management positions. This was designed to speed up decision-making in business execution. Going forward, in order to properly evaluate and develop employees who take on the challenges of transformation, we are also reviewing our personnel system, such as the compensation system of non-management positions, to ensure that they are in line with the modern environment.

Software human resource development program

Currently, we are working toward the goal of “training 100 software engineers in three years.” We have improved basic technical skills through practical education with the cooperation of external partners, resulting in the development of the abilities of newly graduated and career-hire engineers. In addition, 30% of engineers who transferred from mechanical engineering within the company have grown to a level where they can perform tasks autonomously. We are building up practical capabilities that are directly related to the diversification of mobility, as seen in our development achievements that include electric power control for electric carts and drive motor inverter control for compact mobility, which were developed with a view to adapting to actual business.

In our training going forward, we will strengthen the acquisition of skills suited to member competence, and repeat the PDCA cycle of training to strengthen weak points. We will also continue to have matured human resources serve as project leaders to bring together junior and external human resources so that they can produce greater results as a team.

Aisan Katariba

Aisan Katariba, a dialogue meeting between directors/executives and employees that has been ongoing since fiscal 2022, has been held more than 150 times with over 1,600 employees participating, and employee engagement has increased by 3 points. To ensure that the dialogue does not end there, we summarized the results of engagement and the thoughts of employees, and positioned the future human resources and culture reform measures as “creating a workplace and culture worth working in, which the company and employees want to create together,” rather than a one-way proposal from the company. This is brought together as Aisan’s unique EVP* that will be developed around this concept.

Going forward, we aim to transform ourselves into a dialogue-based organization offering a strong sense of security in terms of mental well-being, where diverse values can be mutually respected and beneficial, and we will continue working to enrich Aisan Katariba to help the culture of dialogue take root.

* EVP: Employee Value Proposition (value provided by a company to its employees)

Improved scores thanks to the initiatives

Employees engagement score

+ 3 pts

Items related to future prospects for the company

+ 15 pts

Items related to trust in top management

+ 12 pts

Main Visual of Aisan's Unique EVP

Key KPIs and Main Initiatives

The three pillars	Main initiatives of FY2023		Target (KPI)			
Cultural reform	<ul style="list-style-type: none">● Implementation of dialogue meetings between management and employees (Aisan Katariba)● Enhancement of opportunities for dialogue<ul style="list-style-type: none">· Increase of the number of workplaces introducing 1-on-1		Employee engagement			
				FY2023	FY2025	FY2030
			Score	52 pts	55 pts	60 pts
Human resource transformation	<ul style="list-style-type: none">● Introduction of online learning tools/ learning management tools● Creation of a new executive position	<ul style="list-style-type: none">● Introduction of an overseas pre-assignment system● Introduction of performance evaluation for continuing employees (rehired employees)	Develop 100 software human resources (FY2025)			
Participation of diverse human resources			Number of female managers			
				FY2023	FY2025	FY2030
	<ul style="list-style-type: none">● Enhanced education for executives at overseas bases<ul style="list-style-type: none">· Short-term study abroad program· On-site training from Japan implemented● Development of activities to recruit new graduates from overseas● Introduction of the cafeteria plan (selective benefit program)					
	<ul style="list-style-type: none">● Establishment of measures to support balancing work and family life<ul style="list-style-type: none">· Relaxation of requirements for taking special leave (e.g., for infertility treatment)· Support for joint use of company-led daycare centers● Implementation of activities for creating a lively workplace● Kurumin certification					
			Overseas based national staff executive positions (GM and higher)			
				FY2023	FY2025	FY2030
			Number of staff	17	21	30
			Number of posts	33	33	37
			Ratio of posts filled	53.6%	63.6%	80.0%

Participation of Diverse Human Resources (DEI/Human Rights)

Since the release of our Declaration on Diversity, which states that the promotion of DEI (Diversity, Equity & Inclusion) is a management strategy essential for the Company's sustainable growth, we have been working to create a workplace where people with diverse values can fully demonstrate their individuality and abilities, regardless of age, gender, nationality, disability, or time constraints, under the key message "mutually respect and energize each other."

In February 2024, an interim debriefing on the DEI promotion roadmap was held for department managers, providing an opportunity to reflect on the past and reaffirm that each department will have more autonomy in promoting the initiative in the future.

At the same time, we are working to build a strong human resource infrastructure for the entire Group, including overseas bases. We have set targets for the number of national staff members in executive positions at overseas bases, and are promoting clarification of executive candidates, a system of short-term study abroad programs to Japan, the establishment of a system of on-site training by supervisors, and education tailored to the needs of each base to welcome the candidates.



Main initiatives for participation of diverse human resources in fiscal 2023

◆ Empowering women

KPI Ratio of female managers **Page 58**

In order to improve our corporate structure to match the times and build a new corporate culture, we are reforming our work style from a new perspective.
We have positioned the empowerment of women as a priority issue, and have made continuous efforts such as career development training sessions for women, and exchange meetings with female group leaders.

◆ Support for balancing work and family life

KPI Male childcare leave acquisition rate **Page 74**

We are creating an environment where employees can continue to actively participate at work, and we support the work-life balance of all employees. We have invited outside experts to hold infertility treatment seminars, held Support Meeting for Employees on Parental Leave, and held management study sessions aimed at improving understanding of male employees taking childcare leave, among other ongoing initiatives. As a result, the male childcare leave acquisition rate reached 81.9%, up 7.9% from the previous year.



◆ Participation of persons with disabilities

KPI Employment rate of people with disabilities **Page 74**

We are building a company where employees can work "together and grow" with those who have disabilities.
① Sharing problems, opinions, etc. that workplaces face
② Knowledge acquisition and system development for working with people with disabilities
③ Developing the skills and improving motivation of people with disabilities
We have been working on the growth of people with disabilities based on these three pillars.

◆ Work style reform (active participation by all)

In April 2023, as part of the action reform phase of DEI promotion, we launched the D&I activities for creating a lively workplace, in which workplaces work as one team to solve workplace issues. We have been working to create time and methods to get to know our colleagues in the workplace, to identify and share tasks that have been delegated to specific employees, to create a system for cooperation, and to improve the nature of the work (eliminating or reviewing tasks to create time for the original work).



Main initiatives for Human Rights Policy in fiscal 2023

Recognizing that respecting the human rights of each and every individual is an important issue to be addressed in our Management Principles and Sustainability Fundamental Policy, we formulated and published our Human Rights Policy in August 2022. We encourage all of our business partners, including suppliers, to respect human rights based on this policy, and we are promoting efforts to respect human rights throughout our supply chain.

In December 2023, we invited rakugo master Unpei Hayashiya to give a lecture, as an opportunity to think about human rights in our everyday lives. In January 2024, we conducted a sustainability survey of suppliers for sustainable procurement. We are promoting visualization of issues and exchange of opinions on the initiatives of respect for human rights based on questionnaires through company visits.



◆ Opinion exchange meetings with suppliers

◆ Lectures on respect for human rights



Stakeholder Engagement

In order for the Company to conduct its business activities and achieve long-term, stable enhancement of corporate value, it is essential to build good relationships of trust with each stakeholder, including shareholders, investors, customers, suppliers, and local communities. We will listen sincerely to our stakeholders and communicate with them to create new value together, which will lead to the realization of sustainable growth.

	Basic approach	Expected results	Specific initiatives
Shareholders and Investors	We will strive to disclose timely, fair, and accurate information to shareholders and investors. We will actively engage in constructive dialogue with shareholders and investors to achieve sustainable growth and enhance corporate value.	◆ Appropriate disclosure of information on environmental changes ◆ Enhanced engagement	◆ General meetings of shareholders ◆ Briefings for securities analysts and institutional investors ◆ Information disclosure (corporate website, integrated reports, etc.)
Customers	We provide safe and secure, attractive products with our customer and quality as top priorities based on our Management Principles. We will identify customer needs and contribute with high value-added products that lead to carbon neutrality and vehicle safety and security.	◆ Improvement of product competitiveness of powertrain products ◆ Responsiveness to changes in mobility, such as electrification ◆ Enhanced response to carbon neutrality	◆ Product development that meets customer needs ◆ Promotion of future products and technologies ◆ Stable production and supply ◆ Quality improvement ◆ Cost reduction activities
Suppliers	We will build a relationship of trust with our suppliers by complying with laws and rules, conducting fair and equitable transactions, and acting in good faith. We work together with our suppliers on technological development and improvement activities, aiming for mutual development and growth.	◆ Sharing information on changes in the business environment ◆ Support for carbon neutrality ◆ Stable transactions based on a medium-term outlook	◆ Support for carbon neutral activities ◆ Support for cost reduction and quality improvement ◆ Sharing of procurement policies and activities ◆ Supply chain risk management
Employees	We value our employees as important assets. As such, we want to be a company where a diverse range of human resources can actively participate at work. We will provide an environment and take initiatives to enable each employee to demonstrate their abilities and create new value.	◆ Implementation of diverse work styles ◆ Promotion of diversity, equity and inclusion ◆ Promotion of DX to eliminate labor shortages	◆ Personnel system reform ◆ Restructuring of education system ◆ Enhanced engagement ◆ Enhance dialogue between labor and management ◆ Promotion of diverse work styles
Local communities	We strive to create a more affluent and comfortable living environment in the local communities that form the basis of our business activities and employees' daily lives. We will communicate our business and initiatives through activities that lead to solutions to local issues and build relationships of trust.	◆ Environmental preservation ◆ Regional revitalization ◆ Creation of new employment regulations	◆ Participation and sponsorship of community events ◆ Support for social welfare ◆ Support for local farmers ◆ Volunteer activities ◆ Corporate sports classes and courses
Natural environment	We will develop and provide products with low environmental impact to protect the global environment in the future. We will strive to reduce the environmental impact of our business activities and conserve the natural environment and biodiversity.	◆ Reduction of environmental impact ◆ Environmental preservation ◆ Addressing energy issues	◆ Environmental preservation activities (cleanups, tree planting) ◆ Participation and sponsorship of environmental events ◆ Support for biodiversity



Enhance opportunities for dialogue and reinforce communication of information

We will promote activities aimed at constructive dialogue as well as accurately communicating information in order to build long-term relationships of trust with our shareholders and investors.

We conduct plant tours and other events to communicate our business activities to shareholders in an easy-to-understand manner.

For securities analysts and institutional investors, we hold financial results briefings, Medium-term Management Plan briefings, investor visits by relevant executives, and individual interviews on a quarterly basis. We are also strengthening communication of information by shifting from semiannual to quarterly financial results briefings.

Opinions and assessments given through dialogue with shareholders and investors are reflected in our management strategies, and linked to our efforts to achieve sustainable growth and enhance corporate value over the medium to long term.



Target	Activities	
Shareholders	General meetings of shareholders Plant tours	
Securities analysts Institutional investors	Medium-term Management Plan and financial results briefings Individual interviews	Providing financial and IR information on our website
Overseas investors	Individual interviews	



Strengthening Relationships of Trust to Meet Car Manufacturers' Needs

The company is highly regarded for its "better car manufacturing" attitude through product supply and cost improvement in response to customer requests, as well as MMK (*Motto Monozukuri Kyoka*, "strengthening of manufacturing") activities to strengthen manufacturing and other collaboration with suppliers. We have received awards from car manufacturers around the world on a diverse range of themes, evolving into a stronger relationship of mutual trust.



Promote Carbon Neutrality throughout the Supply Chain

In fiscal 2023, we invited our suppliers for the first time to an in-house exhibition held once a year, to introduce our environmental activities to our employees. We will continue to share the mindset of promoting environmental measures throughout the supply chain and have opportunities to enrich mutual dialogue.



Introduction of the Selective Benefit Program

Against the backdrop of the diversification of employee lifestyles, including career-hire, we shifted our policy from the traditional "uniform benefits for all employees" to "benefits for each individual" and introduced a system of granting service points to employees and allowing them to choose the benefits that suit their lifestyles using their points.

This has allowed us to go beyond the traditional support for employees to acquire their own homes and promote benefit systems that cater to each employee's desired lifestyle, such as self-development, childcare support, and travel assistance.



Working Together on Community-based Activities

A cleanup activity was conducted at a developmental support center in Obu City, Aichi Prefecture, where the Company's headquarters is located. The facility in question was the site of a welfare and health fair, and was short of manpower to clean up before the event. With our employees taking over the cleaning duties, the event was held without a hitch.

We will catch up with local problems and conduct community-based social contribution activities.



Environmental Learning Activities with Local Communities

Employees at the Anjo Plant work with local high school students to grow roselle, a plant with high CO₂ absorption, on the plant grounds, and support the processing of the harvested roselle into herb tea and its sale. Employees' families also participate in the harvesting process, and high school students explain roselle's features and activities to them, providing an opportunity for employees and the local community to deepen their environmental awareness together.



Point

Chapter

4



- ◆ We promote corporate governance that builds trust with stakeholders by improving the effectiveness of the Board of Directors and other bodies.
- ◆ We observe compliance and strive to ensure ethical behavior, transparency, and fraud prevention to fulfill our social responsibilities.
- ◆ We have a promotion system that can appropriately identify potential risks and take countermeasures to flexibly respond to changes in the business environment.

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Foundation

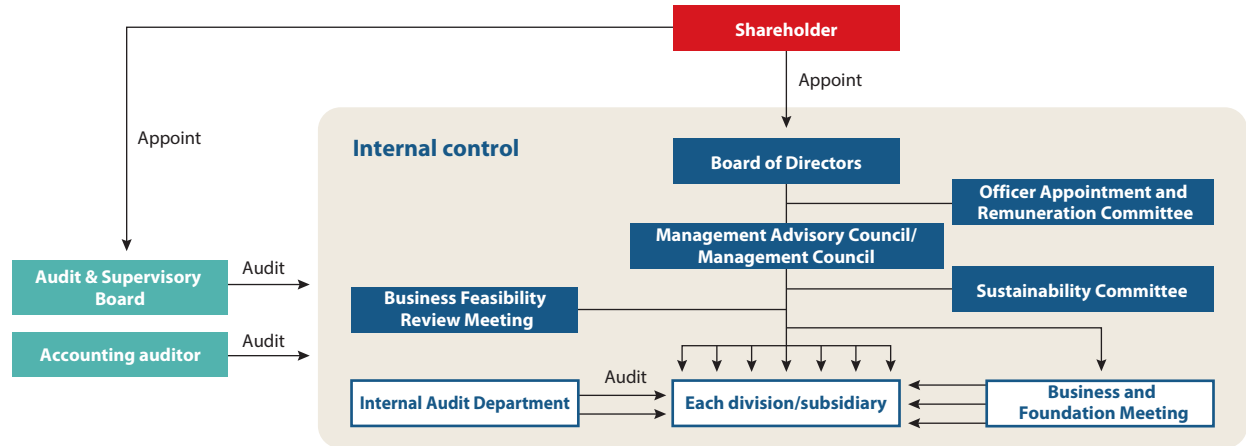
That Supports Value Creation

Corporate Governance

We consider the steady improvement of our corporate value over the long-term as one of our most important management issues. In order to achieve this, we must realize long-term, stable growth through the provision of products that are satisfactory to customers and establish a good relationship with each stakeholder, including our shareholders, investors, customers, suppliers, local

communities, and employees. We have shared and acted on this approach, which is based on our Management Principles, in the Aisan Group Action Agenda and VISION2030. Moreover, we will strive to maintain and improve management efficiency, fairness, and transparency in accordance with the Corporate Governance Code established by the Tokyo Stock Exchange.

Corporate Governance Structure



In addition to the legal functions of the General Meeting of Shareholders, Board of Directors meetings, Audit & Supervisory Board meetings, and the accounting auditor, we have appointed three outside directors and three outside Audit & Supervisory Board members with the aim of supervising and auditing the Board of Directors from an expert, impartial and fair standpoint to ensure management transparency and prompt decision-making.

Personnel matters concerning directors are discussed preliminarily by the Officer Appointment and Remuneration Committee, a majority of whose members are outside directors, to ensure fairness and transparency by obtaining appropriate involvement and advice. Candidates for outside director are appointed based on the independence criteria set forth by the Companies Act and the Tokyo Stock Exchange, with emphasis on the possession of advanced knowledge and wealth of experience necessary to provide candid and constructive advice and supervision of our management.

Each director and executive officer divides their work vertically and horizontally between departments, businesses and foundations, and strives for prompt and efficient business execution through cooperation, while striving for appropriate business execution through mutual checks.

Results of Board of Directors Meetings in FY2023

Meetings held	13 times
Attendance	Directors: 100%, Audit & Supervisory Board members: 95%

Composition

	From June 2023	From June 2024
Number of directors	8	9
Of which, outside directors	3	3
Of which, female directors	2	2
Of which, independent directors	3	3
Number of Audit & Supervisory Board members	5	5
Of which, outside Audit & Supervisory Board members	3	3
Of which, female Audit & Supervisory Board members	0	0
Of which, independent directors	1	2
Number of executive officers	12*1	13*2
Of which, female executive officers	0	0

*1 Five concurrently serving as director *2 Six concurrently serving as director

Evaluating the Effectiveness of the Board of Directors

We conduct an annual evaluation of the effectiveness of the Board of Directors in order to verify whether the Board of Directors is properly fulfilling the functions expected of it and to improve the effectiveness of the Board of Directors. The results of the evaluation and analysis, as well as improvement measures, are reported to the Board of Directors for discussion regarding future structures and management methods.

Evaluator	○ Directors: 6 ○ Inside/Outside Audit & Supervisory Board Members: 5
Evaluation Method	○ Score evaluation for 16 items ○ Comments section for 6 items
Main Evaluation Items	○ Composition and roles of directors ○ Operation and deliberations of the Board of Directors ○ Support for outside directors ○ Medium- to long-term corporate strategy ○ Sustainability initiatives ○ Supervision of directors' execution of duties ○ Risk management

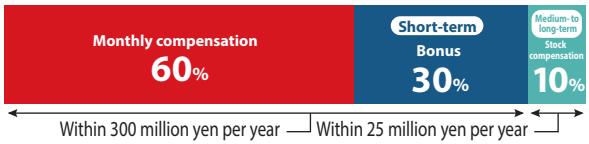
In fiscal 2023, the effectiveness of the Board of Directors was again examined using both a score evaluation and the comment section. The results showed that each evaluation item was generally appropriate, and that the effectiveness of the Board of Directors was maintained. We will also implement specific measures to address the issues proposed in those meetings and continue to work to improve the effectiveness of the Board of Directors.

Initiatives of FY2023	○ Expansion of reporting opportunities and content on business policy and sustainability management ○ Participation of outside directors in plant improvement briefings, division briefings, etc.
Main Challenges and Measures	○ Enhancement of discussions on medium- to long-term plans Further increase opportunities to report and discuss medium- to long-term strategies at Board of Directors meetings by outlining changes in the environment and issues ○ Enhancement of support for outside directors Expansion of opportunities for briefings and information provision to deepen their understanding of the Company and enhance discussions

Executive Compensation

Compensation for directors is first proposed in draft form to the Officer Appointment and Remuneration Committee* based on each director's position and responsibility and with consideration for business performance and management environment. The aim is to encourage directors to continuously improve business performance over the medium to long term and contribute to the enhanced corporate value of the Group. Compensation is determined by the Board of Directors. The compensation structure consists of monthly compensation, bonuses (short-term incentive), and restricted-share compensation (medium- to long-term incentive), at an approximate percentage of 60%, 30%, and 10%, respectively. Monthly compensation is set at an appropriate level, taking into consideration the business environment, among other factors, and reviewed on a regular basis according to the position of the director. Bonuses are linked to performance and determined using the applicable fiscal year's consolidated operating profit as a metric while also adjusted

Compensation Structure for Directors



based on individual appraisals. As for stock compensation, the restricted-share compensation system is in effect, with the aim of further improving directors' shared value with shareholders and continued enhancement of our corporate value. At the General Meeting of Shareholders held on June 15, 2021, it was decided that the sum of a director's monthly compensation and bonus is limited to a maximum of 300 million yen per year (of which a maximum of 30 million yen per year for outside directors). The total compensation amount for restricted shares awarded to directors, except outside directors, is limited to a maximum of 25 million yen per year.

* We have established the Officer Appointment and Remuneration Committee, which is equivalent to a Nomination Committee and Compensation Committee. The committee consists of two internal directors and three outside directors, and is chaired by an internal director. The President makes decisions based on reports from the Officer Appointment and Remuneration Committee, and in turn, puts it on the agenda of the General Meeting of Shareholders and the Board of Directors.

Off-site meetings

We provide opportunities for directors and officers to exchange candid opinions with each other outside of Board of Directors meetings and other regularly scheduled meetings. In fiscal 2023, the participants spent two days and one night outside the company, exchanging views on the current environment of the automotive industry, including the Company, human resource development and diversity initiatives, as well as governance. It was an opportunity to further communication beyond work-related conversations away from the workplace, and to take a step forward in thinking about ideas related to future company growth.



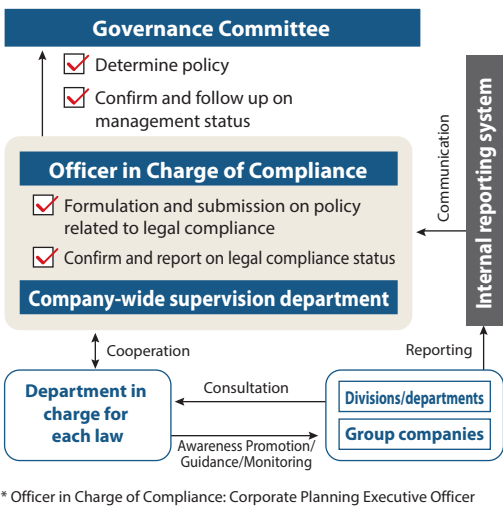
Compliance

We believe it is critical for all members of the Aisan Group to ensure compliance in meeting the expectations of all stakeholders in order to achieve sustainable growth and improve our trustworthiness. Based on this belief, we formulated the Aisan Group Action Agenda that stipulates the Group’s universal values and action guidelines in 2007, and declared nine action items including legal compliance. In addition, we formulated the Compliance Guidelines in 2015 to raise employees’ awareness of compliance, and established them as action guidelines to be followed by each and every employee, and have ensured that all employees are aware of them.

Compliance Promotion System

At Aisan Industry, the Governance Committee, chaired by the Corporate Planning Executive Officer, confirms and follows up on the status of compliance with corporate ethics and laws, as well as the status of compliance activities. The results are reported and deliberated twice a year at the Sustainability Promotion Committee, which is chaired by the President and attended by all officers.

The results of these deliberations and various compliance activities are shared throughout the Company by the Corporate Planning Department, which serves as the secretariat, and are reflected in the activities of each workplace. This mechanism ensures that management and workplaces work in unison to ensure thorough compliance.



Compliance Guidelines

The Compliance Guidelines outline compliance items that should be shared and observed throughout the Group. In order for each employee to deepen their knowledge of compliance and take sensible actions, we also attached a commentary on the guidelines for distribution to all Group employees.

14 Articles of the Compliance Guidelines

- | | | | |
|-----------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------|-----------------------------------|
| 1 Legal compliance and respect for culture | 5 Observation of entertainment and gifts regulations | 9 Prohibition of harassment | 13 Prohibition of insider trading |
| 2 Prohibition of carrying in/out import/export controlled items | 6 Health and safety | 10 Prohibition of drinking and driving | 14 Management of trade secrets |
| 3 Appropriate transactions with suppliers | 7 Respect of human rights and prohibition of discrimination | 11 Proper accounting treatment | |
| 4 Observation of competition laws | 8 Observation of employment rules | 12 Appropriate use and management of company assets | |

Specific initiatives

Education and awareness activities

We are cultivating awareness towards legal compliance by regularly sharing information with employees, including rank-based training and e-learning on a variety of compliance-related themes. We are also sharing examples of compliance violations that can happen every day through an e-mail magazine and internal circulars.

As a priority initiative, we conduct compliance awareness surveys of all employees to quantify the results of past initiatives and utilize the results in education and awareness-raising activities to further boost employee awareness.

Internal reporting system

To promptly identify and prevent situations that violate compliance, company rules as well as laws in the course of business operations, we have launched operations of a reporting/consultation desk for employees and their families to seek consultation and file reports. The helpline structure caters to different types of consultations, including a consultation desk for workplace harassment and suppliers, and global helpline for domestic and overseas Group companies. To ensure the whistleblower is protected in any of these situations, we have developed a structure based on the Whistleblower Protection System.

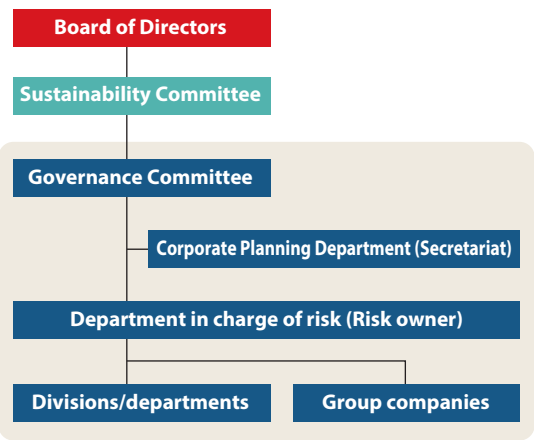
Risk Management

Risk Management Promotion System

The Corporate Governance Code revised in June 2021 stipulates that the Board of Directors should develop a company-wide risk management structure as its responsibility.

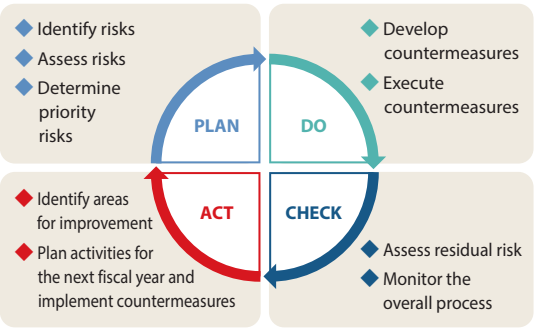
In order to respond to changes in the environment surrounding management and various risks, we are strengthening our promotion system and its initiatives as part of company-wide risk management.

Specifically, we continue to analyze business risks in advance, identify risks that could have a significant impact on management, prevent them from occurring, and minimize their impact in the event of a major incident.



Risk Management Activity Cycle

We define risks as factors that may have an impact on the corporate value of the Group, and identify risks related to the entire company in terms of “strategic risks” and “company-wide risks,” and evaluate them in terms of “impact” and “likelihood of occurrence.” In addition to the results of this evaluation, we determine the priority risks that should be managed, taking into account management strategies, business issues, and perspectives on the external risk environment. For priority risks, we continue to implement the PDCA cycle, including implementation of countermeasures, monitoring, and identification of areas for improvement, in order to minimize risks.



Specific initiatives

BCP (Business Continuity Plan)

In response not only to large-scale natural disasters such as earthquakes and floods in the areas where the Company and its group companies are located, but also to various risks surrounding the Company such as infectious diseases and supply chains, the Company has established a system for specific risks such as verifying the safety of employees and equipment failure, placing the highest priority on human life, contributing to the recovery of the region, and promptly resuming production.

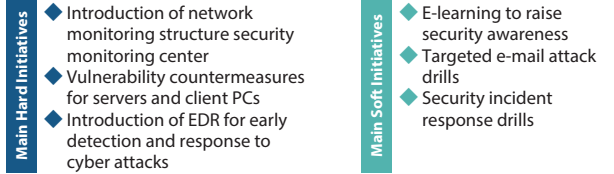
Flow of Major Disaster BCP



Information security

We recognize that the information we hold on technology and sales is a valuable asset and foundation of the Company, and that the appropriate management and prevention of leaks of information related to customers and business partners is an important responsibility of the Company.

Under the Confidentiality Management Regulations, we have established an information security promotion system and are strengthening our efforts not only in terms of hard measures, such as the introduction of systems, but also in terms of soft measures, such as employee education and awareness and the maintenance of related regulations, in order to appropriately utilize and protect the information assets held by the Company.



We are also working with domestic and overseas Group companies to continuously improve the level of security measures throughout the Aisan Group.

Directors



Tokuhisa Nomura
President
Responsibilities:
Chief Executive Officer

Career summary and positions

April 1985 Joined Toyota Motor Corporation
January 2008 General Manager, Vehicle Electronics Design Div.
January 2012 General Manager, Electronics Management Div.
April 2013 Executive General Manager; Field General Manager, Electronics Technology Field
April 2016 Executive General Manager; Advanced R&D and Engineering Company
June 2017 Executive Vice President; Vice President and Executive Officer, the Company
June 2018 President (to present)

34,125 shares 13 out of 13 (100%)



Akihiro Yamanaka
Executive Vice President
Responsibilities:
Assistant to President,
Supervisor of Technology

Career summary and positions

April 1988 Joined Toyota Motor Corporation
January 2011 General Manager, Hybrid Vehicle Advanced Technology Engineering Division
January 2018 Executive General Manager; Supervisor, Powertrain Company
January 2019 Field General Manager, Advanced Engineering Development Field, Powertrain Company
January 2024 Chief Project Leader, Powertrain Company
May 2024 Advisor, the Company
June 2024 Executive Vice President; Vice President and Executive Officer (to present)

9,000 shares -



Yuichi Oi
Outside Director

Career summary and positions

April 1978 Joined Toyota Tsusho Corporation
March 2001 Manager, Global Logistics Management Dept.
April 2006 Executive Officer
June 2011 Managing Executive Officer
June 2013 Managing Director
April 2015 Senior Managing Director
April 2017 Senior Managing Executive Officer, Member of the Board
June 2017 Representative Director; Vice President and Executive Officer
June 2019 Senior Executive Advisor
June 2020 Director, the Company (to present)

0 shares 13 out of 13 (100%)



Toru Nakane
Executive Vice President
Responsibilities:
Assistant to President,
Chief Operating Officer

Career summary and positions

April 1980 Joined the Company
June 2008 General Manager, Marketing & Sales Dept. I
June 2010 Director
June 2012 Executive Officer
June 2013 Executive Officer, Member of the Board
June 2014 Managing Executive Officer, Member of the Board
June 2017 Senior Managing Executive Officer, Member of the Board
June 2020 Executive Vice President; Vice President and Executive Officer (to present)

37,175 shares 13 out of 13 (100%)



Masaki Kusano
Director
Responsibilities:
Head of IT & DX

Career summary and positions

April 1987 Joined the Company
January 2012 General Manager, Plant Administration Dept., Toyota Plant
May 2016 President, Aisan (Foshan) Auto Parts Co., Ltd.
January 2021 Chief Division Officer, Production & Logistics Div.; Chief Division Officer, China Div.; Chief Division Officer, ASEAN Div., the Company
April 2022 Executive Officer
June 2022 Executive Officer, Member of the Board (to present)

11,135 shares 13 out of 13 (100%)



Satoe Tsuge
Outside Director

Career summary and positions

April 1990 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
April 1995 Registered as a certified public accountant
January 1999 Representative, Tsuge CPA Office (to present)
June 2007 Representative Director, La Vida Planning Co., Ltd. (to present)
June 2015 Director, the Company (to present)

0 shares 13 out of 13 (100%)



Shigekazu Kato
Executive Vice President
Responsibilities:
Assistant to President, Supervisor of Corporate Planning and Accounting & Finance, Head of Human Resources Infrastructure

Career summary and positions

April 1987 Joined Toyota Motor Corporation
January 2013 General Manager, Planning Dept., Accounting Div.
January 2015 Executive Vice President, Toyota Motor (China) Investment Co., Ltd.
April 2019 Executive Officer, the Company
June 2020 Executive Officer, Member of the Board
April 2024 Vice President and Executive Officer, Member of the Board
June 2024 Executive Vice President; Vice President and Executive Officer (to present)

20,602 shares 13 out of 13 (100%)



Hirokazu Konohara
Director
Responsibilities:
Head of Technical Management, Head of Quality

Career summary and positions

April 1989 Joined the Company
January 2014 General Manager, Motorcycle Business Department
June 2017 Executive Officer
September 2020 President, Aisan (Foshan) Auto Parts Co., Ltd.
April 2021 Executive Officer, the Company
June 2024 Executive Officer, Member of the Board (to present)

5,487 shares -



Yurie Iribe
Outside Director

Career summary and positions

April 2007 Assistant Professor, Information and Media Center, Toyohashi University of Technology
April 2013 Assistant Professor, School of Information Science and Technology, Aichi Prefectural University
August 2013 Specially Appointed Assistant Professor, Graduate School of Information Science, Nagoya University
April 2017 Specially Appointed Associate Professor, Institutes of Innovation for Future Society, Nagoya University
April 2017 Associate Professor, School of Information Science and Technology, Aichi Prefectural University (to present)
June 2022 Director, the Company (to present)

0 shares 13 out of 13 (100%)

Audit & Supervisory Board Members



Yojiro Ueki
Audit & Supervisory Board Member

Career summary and positions

April 1984 Joined the Company
June 2008 General Manager, Accounting & Finance Dept.
June 2011 General Manager, Corporate Planning Dept.
June 2013 Executive Officer
June 2017 Managing Executive Officer
March 2019 Managing Executive Officer Chairman, Hyundam Industrial Co., Ltd.
April 2020 Executive Officer, the Company
April 2022 Chief Division Officer, South Korean Business Div.
June 2022 Audit & Supervisory Board Member (to present)

36,500 shares 13 out of 13 (100%)
12 out of 12 (100%)



Takami Kato
Outside Audit & Supervisory Board Member

Career summary and positions

April 1992 Joined Toyota Motor Corporation
April 2018 General Manager, Purchasing Planning Div.
January 2021 General Manager, Supply Chain Strategy Div.
July 2022 Deputy Chief Officer, Purchasing Group (to present)
June 2023 Audit & Supervisory Board Member, the Company (to present)

0 shares 11 out of 11 (100%)
10 out of 10 (100%)



Yuji Furuta
Audit & Supervisory Board Member

Career summary and positions

April 1981 Joined the Company
March 2014 General Manager, General Administration & Human Resources Dept.
June 2017 General Manager, Corporate Planning Dept.
January 2019 General Manager, General Administration & Human Resources Dept.
January 2021 Project Senior Chief, General Administration & Human Resources Dept.
June 2021 Audit & Supervisory Board Member (to present)

3,468 shares 13 out of 13 (100%)
12 out of 12 (100%)



Nobuya Yazaki
Outside Audit & Supervisory Board Member

Career summary and positions

April 1996 Registered as an attorney
Joined Kato Murase Law Office
November 1999 Representative attorney, Murase Yazaki Law Office (currently HINOKI Law Office) (to present)
June 2024 Audit & Supervisory Board Member, the Company (to present)

0 shares -
-



Yoshinori Hirano
Outside Audit & Supervisory Board Member

Career summary and positions

November 1976 Joined Marunouchi Audit Corporation (currently Deloitte Touche Tohmatsu LLC)
March 1982 Registered as a certified public accountant
June 1995 Representative Partner
October 2015 President, Yoshinori Hirano CPA Office (to present)
June 2016 Audit & Supervisory Board Member, the Company (to present)

0 shares 13 out of 13 (100%)
12 out of 12 (100%)

Number of shares held (as of March 31, 2024)
Attendance at meetings of the Board of Directors (FY2023)
Attendance at meetings of the Audit & Supervisory Board (FY2023)

Directors' Skill Matrix

The skills and experiences held by the Directors and Audit & Supervisory Board members of the Company are as follows:

	Position	Name	Sales	Technology development	Manufacturing and purchasing	Overseas experience	ESG	Legal affairs and compliance	DX	Finance and accounting	Human resources and labor
Director	President	Tokuhisa Nomura		○		○	○				
	Executive Vice President	Toru Nakane	○				○	○	○		
	Executive Vice President	Shigekazu Kato				○	○	○	○	○	○
	Executive Vice President	Akihiro Yamanaka		○			○				
	Director	Masaki Kusano			○	○	○		○		
	Director	Hirokazu Konohara		○		○	○				
	Outside Director	Yuichi Oi	○		○	○	○				
	Outside Director	Satoe Tsuge					○			○	○
Audit & Supervisory Board Member	Outside Director	Yurie Iribe		○			○		○		
	Audit & Supervisory Board Member	Yojiro Ueki			○	○	○	○	○	○	
	Audit & Supervisory Board Member	Yuji Furuta					○	○	○		
	Outside Audit & Supervisory Board Member	Yoshinori Hirano					○			○	○
	Outside Audit & Supervisory Board Member	Takami Kato			○	○	○				
	Outside Audit & Supervisory Board Member	Nobuya Yazaki					○	○			○

Aisan Industry's Initiatives to Enhance Corporate Value

We asked outside directors Oi, Tsuge, and Iribe about their thoughts on strengthening the effectiveness of the Board of Directors and improving corporate value, and exchanged opinions with Executive Vice President Nakane about the Company's initiatives.



Toru Nakane
Executive Vice President

Yurie Iribe
Outside Director

Satoe Tsuge
Outside Director

Yuichi Oi
Outside Director

POINT

- ◆ Push forward the development of human resources who will boldly compete on a global scale. New IR initiatives are also necessary to increase P/B ratio. (Oi)
- ◆ We should utilize off-site meetings to proactively discuss major themes related to management. (Tsuge)
- ◆ Systematization and effective utilization of company-wide data collection and sharing will be an issue for future DX. (Iribe)
- ◆ We should embrace the idea that "Contributing to the industry as a whole will enhance our corporate value," and ensure that our stakeholders understand our management strategy. (Nakane)

Director Oi

We believe that our role as outside directors is to understand the context in which a proposal is placed on the agenda and to offer our opinions based on our respective expected skills and experience. This is the second year I have had a dialogue on the Integrated Report with Executive Vice President Nakane, and I have always been able to speak without reservations and be sure of a fair hearing. Knowledge of the Company and the industry is a necessary prerequisite to proper discussion, and I have been given many opportunities to learn about the reality of the situation, including opportunities to exchange views with executive officers and employees. In fiscal 2023, I was able to gain a deeper understanding of the Company's business environment by attending various subcommittees, environmental exhibitions, technology presentations, and factory improvement activity presentations, as well as a tour of Aisan Academy.

I recognize that efforts to achieve the VISION2030 targets are making steady progress. My concern is whether we will be able to speed up our business strategy to compete with the rest of the world as the ratio of overseas sales increases. When investing capital in regions and businesses outside of Japan where there are potential strengths, it is necessary to develop human resources who can accurately assess future prospects and business risks and implement investments. As an outside director with overseas experience, going forward I would like to ask how communication with overseas offices is handled and to hear thoughts on training of local managers involved in overseas operations. In order to improve P/B ratio (Price to Book Ratio), I believe it is important to promote the Company's attractiveness through steady IR activities in order to raise the stock price. It may also be time to consider new approaches in IR activities.

Comment from the Executive Vice President

The current Board of Directors has been transformed into a forum for open and lively exchange of ideas. However, we must not be satisfied with the status quo. We must look to accelerate or change management policies with an eye to the future. We will survive this period of transformation by engaging in discussions that include major decisions such as the transformation of our business portfolio, and we would hope that the outside directors will continue to provide guidance on our management policies from a broad perspective. Rather than seeking optimal solutions from the perspective of only our own company or industry, we will seek continued varied input to help us meet expectations for sustainable growth with the Japanese economy as a whole in mind.

Director Tsuge

We view our performance in fiscal 2023 as strong, partly due to the record-high profits. This was the result of our commitment to MMK (*Motto Monozukuri Kyoka*, "strengthening of manufacturing") activities and ROIC management, which has gradually been reflected in the increase in our profitability. We also have high expectations for the two M&As as new sources of enhanced corporate value.

The off-site meetings that began in 2024 came about at my suggestion. The first meeting was positioned as a trial and some issues arose, as we were unable to touch on major themes. Nevertheless, the meeting proved to be fruitful, with the directors in the Company actively speaking up in their own words. We will continue this initiative and hope to exchange views on more in-depth themes at the next session and beyond.

In fiscal 2023, two M&As were implemented as investments in the future of new businesses. This demonstrates our proactive and extensive grasp of the market and commitment to executing our plan, and I feel that a significant change in corporate culture has occurred in the 10 years since I assumed my position.

I am involved in our efforts for human capital management, particularly diversity and female empowerment initiatives. Through our efforts to empower female employees, we have seen a change in awareness as evidenced by the implementation of training for executives and a rise in the male childcare leave usage rate. To go one step further, we need to bring in fresh perspectives and actively recruit women from other industries to work on changing the values in the company.

Comment from the Executive Vice President

As the director pointed out, we achieved the goals of our Medium-term Management Plan ahead of schedule in fiscal 2023, and I believe we have achieved a certain level of success. However, as we consider the future of manufacturing in Japan, we must promote our profit improvement activities and results throughout Japan, with the hope that recognition of our corporate value will spread. To achieve this, we must change our mindset in many ways. We must create a corporate culture that is open to flexible work arrangements and overseas human resources, and we must continue to promote reforms to actively absorb ideas from outside the company.

Promotion of new businesses also requires a viewpoint of business restructuring. As such, we will also actively work to develop human resources capable of boldly pursuing these initiatives.

Director Iribe

I am also in favor of introducing flexible work arrangements and fostering role models for career women in order to increase diversity. Although some may feel that promotion to an executive position comes with a burden, we hope that many will appreciate the satisfaction and sense of accomplishment that comes with increased freedom in their work.

In fiscal 2023, we actively worked to reduce labor requirements in factories in anticipation of future declines in the workforce, and put ideas from the field into practice to reduce time and labor-hours. Quantifying the degree of improvement and introducing collaborative robots are still in the trial-and-error phase, but we look forward to future results.

One of the advantages of DX is transfer of skills. In the Aisan Academy initiative, cameras and sensors are used to quantify the manufacturing processes of experienced

employees and new hires, comparing the timing, pacing, and posture of limb movements. By reflecting this in the training of new employees, we can reduce human error and improve the work environment. On the other hand, the challenge of DX is the systematization of data collection and sharing, which is dispersed among various departments. We have started the creation of a pilot system, but the issue of how to utilize the shared data remains. We need to interview each department about their workflow and try to automate more of their tasks. It is also necessary to create a roadmap of what else can be done with DX and how to proceed in line with the company's vision, and to have the flexibility to modify the roadmap as needed if unexpected problems or obstacles arise during the actual implementation. DX is not something that can be done in a matter of months, so we would like to see steady accumulation of small successes.

Comment from the Executive Vice President

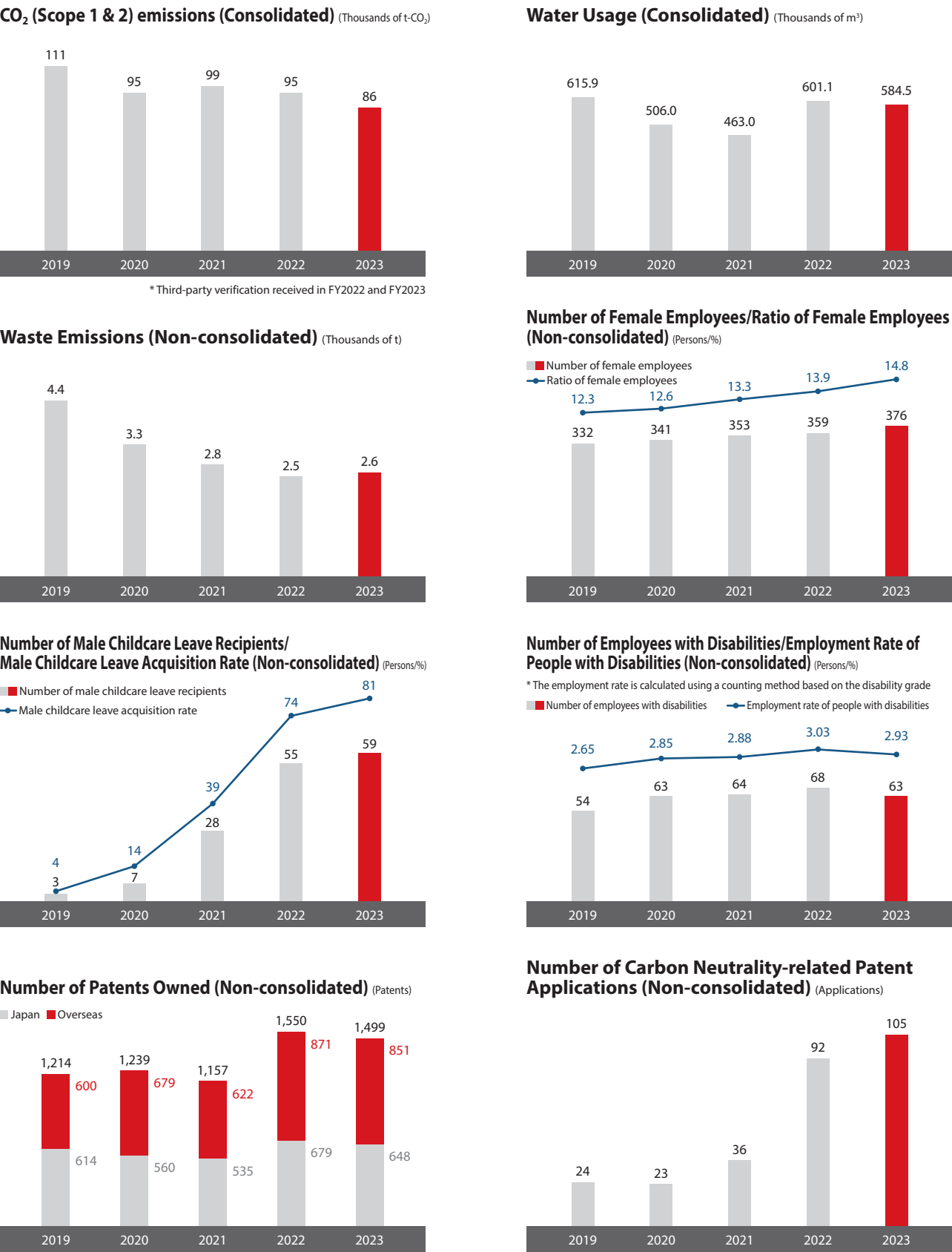
Promotion of DX is still in its developmental stage. However, digitalization is not our objective, rather we are seeking added value through new ideas to achieve results for the entire Group. This will be done by breaking down individual operations, eliminating inefficiencies, and digitalizing only the necessary parts.

In our future growth strategy, we need to clarify the value that we should continue to create and identify the technologies that we will continue to refine, as well as the human resources that we should develop, in order to create that value. This requires wide-ranging knowledge, and we would like to increase the number of opportunities for in-depth discussions with guidance from those with expertise outside the company.

Financial Data Highlight (Consolidated)



Non-Financial Data Highlight (Consolidated/Non-consolidated)



Financial Data (Consolidated)

(Unit: millions of yen)

		(FY)	2023	2022	2021	2020		2019	2018	2017	2016	2015	2014	2013
Operating results	Net sales		314,336	240,806	193,751	181,427		205,489	213,494	212,524	203,769	215,360	212,676	192,944
	By product	Fuel pump module	159,934	97,778	73,948	68,846		79,777	79,556	77,751	72,756	79,490	72,540	60,687
		Injector	2,405	3,400	3,287	2,939		4,179	4,672	5,033	4,921	5,774	7,196	7,654
		Fuel type, and others	3,996	3,486	2,981	2,606		3,570	3,933	4,435	4,929	5,680	6,571	6,517
		Throttle body	42,176	39,098	35,833	34,398		42,848	48,042	49,912	49,341	49,877	47,076	43,884
		EGR valve	23,131	22,374	14,852	12,729		11,844	9,589	7,180	5,971	5,918	7,621	4,657
		Intake and exhaust, and others	8,448	7,741	7,072	6,180		7,027	8,628	9,244	9,834	10,488	11,677	11,240
		Canister	40,076	34,273	27,488	27,833		26,099	27,384	26,572	25,227	26,454	25,533	25,441
		Emission control system, and others	7,146	5,110	4,865	5,060		4,388	3,858	4,019	4,084	4,411	4,713	4,560
		Engine valve	9,932	9,821	8,906	8,110		9,436	9,547	9,887	9,045	8,773	9,502	10,244
		Other	17,086	17,714	14,508	12,717		16,311	18,275	18,480	17,653	18,485	20,236	18,054
	By region	Japan	91,948	77,368	70,445	74,099		82,991	82,080	83,173	81,635	90,136	101,375	95,093
		Asia	135,682	107,576	86,540	74,504		81,104	82,391	79,156	73,181	72,306	63,998	56,401
		Americas	71,096	43,308	25,367	22,728		28,240	33,652	34,766	35,657	39,113	34,092	30,383
		Europe	15,608	12,553	11,398	10,094		13,153	15,370	15,428	13,294	13,805	13,210	11,064
	Gross profit		41,218	32,754	24,927	20,462		24,365	25,588	25,974	23,996	26,960	28,258	27,081
	Operating profit		15,498	13,632	9,809	4,956		7,226	8,227	9,421	8,159	9,854	10,796	9,475
	Ordinary profit		17,201	14,083	10,255	4,986		6,866	8,181	9,770	7,407	9,349	11,322	9,915
	Profit attributable to owners of parent*		11,744	8,504	6,831	3,525		-5,073	6,124	4,526	4,505	6,208	6,755	5,562
	Capital investment		12,285	8,636	9,449	9,711		19,323	16,523	12,022	12,738	15,884	13,280	13,006
	Depreciation		14,831	12,994	10,174	11,011		12,554	11,033	10,773	10,700	11,172	10,140	9,412
	R&D expenses		12,936	11,111	10,494	9,815		10,845	11,302	11,196	10,922	10,854	10,336	9,660
Cash flow	Cash flows from operating activities		38,627	20,269	13,544	17,761		14,678	11,421	13,767	14,395	24,132	13,772	6,993
	Cash flows from investing activities		-9,664	-29,599	-6,955	-6,785		-16,591	-18,429	-11,145	-16,431	-13,441	-18,035	-11,709
	Free cash flow		28,963	-9,330	6,589	10,976		-1,913	-7,008	2,622	-2,036	10,691	-4,263	-4,716
	Cash flows from financing activities		-11,431	3,536	-4,128	-1,176		1,704	-435	11,779	-3,510	-1,585	3,822	1,888
Financial position	Funds (Cash and deposits + Securities)		67,036	45,973	50,086	46,329		36,204	36,635	44,928	30,093	35,113	26,166	25,181
	Interest-bearing debt		41,836	48,828	32,102	43,551		43,085	39,053	37,580	23,751	25,622	25,523	24,931
	Equity		134,741	106,408	96,944	84,206		79,114	87,777	87,643	81,472	81,324	84,880	67,772
	Total assets		272,549	225,762	201,936	189,918		186,362	192,500	196,650	178,914	184,156	185,422	160,898
Financial indicators	Operating profit to net sales ratio (%)		4.9	5.7	5.1	2.7		3.5	3.9	4.4	4.0	4.6	5.1	4.9
	Rate of return on assets (ROA) (%)		4.7	4.0	3.5	1.9		-2.7	3.2	2.4	2.5	3.4	3.9	3.6
	Rate of return on equity (ROE) (%)		9.7	8.4	7.5	4.3		-6.1	7.0	5.4	5.5	7.5	8.9	8.8
	Rate of return on sales (%)		3.7	3.5	3.5	1.9		-2.5	2.9	2.1	2.2	2.9	3.2	2.9
	Equity ratio (%)		49.4	47.1	48.0	44.3		42.5	45.6	44.6	45.5	44.2	45.8	42.1
	Net D/E ratio (Times)		-0.2	0.0	-0.1	-0.1		0.1	0.0	-0.1	-0.1	-0.1	-0.0	-0.0
Information per share	Payout ratio (%)		29.3	25.9	26.8	32.2		–	27.8	95.3	34.8	33.3	25.8	23.0
	Basic earnings per share (EPS) (Yen)		187.63	135.01	108.40	55.97		-80.55	97.26	72.11	71.88	99.24	112.19	99.81
	Dividend per share (DPS) (Yen)		55.00	35.00	29.00	18.00		20.00	27.00	29.00	25.00	33.00	29.00	23.00
	Book value per share (BPS) (Yen)		2,158.56	1,688.64	1,539.63	1,336.78		1,255.94	1,393.58	1,392.79	1,299.45	1,297.81	1,359.36	1,214.08
	Number of employees (Persons)		10,904	10,459	9,720	10,018		10,716	10,500	10,440	10,320	10,294	10,262	9,633

* Presented as "net income" until FY2014

Company Profile

Company name	Aisan Industry Co., Ltd.
Headquarters	1-1-1 Kyowa-cho, Obu, Aichi 474-8588 Japan
Date of establishment	December 1938
Representative	Tokuhiba Nomura
Capital	10,838 million yen
Business outline	Manufacturing and sales of automotive parts
Number of employees	Consolidated: 10,904 Non-consolidated: 3,185 * Temporary employees included
Affiliates	30 Group companies (23 overseas, 7 in Japan)
Fiscal year end	March
Credit rating	A- (Japan Credit Rating Agency)

Domestic Locations



Headquarters



Honsha Plant



Anjo Plant



Toyota Plant



Hirose Technical Center

East Japan Branch Office (Yokohama)
East Japan Branch Office (North-Kanto)
Hamamatsu Branch Office
West Japan Branch Office (Osaka)
West Japan Branch Office (Hiroshima)

Subsidiaries (domestic)

TK Carburettor Co., Ltd.	Aisan Kumamoto Co., Ltd.
Aikyo Sangyo Co., Ltd.	MAGNEX CO., LTD.
Aisan Computer Services Corp.	IMI Co., LTD
Nichialloy Co., Ltd.	Miyama Seiko Co., Ltd. (Affiliate)

Stock Information

Stock	Total number of shares authorized Total number of shares issued * Excluding the treasury stock Share unit number	190,000,000 62,421,879 100
Listed stock exchanges	Tokyo Stock Exchange: Prime Market Nagoya Stock Exchange: Premier Market Stock code: 7283	
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation	
Accounting auditor	Deloitte Touche Tohmatsu LLC	
Principal shareholders	Toyota Motor Corporation DENSO Corporation Toyota Industries Corporation	

Subsidiaries (international)

Asia

Hyundam Industrial Co., Ltd. / South Korea
Hyundam Tech Co., Ltd. / South Korea
Aisan (Tianjin) Auto Parts Co., Ltd. / China
Aisan (Foshan) Auto Parts Co., Ltd. / China
Aisan Corporation Guangzhou Co., Ltd. / China
Shenyang Xuantan Automobile Parts Co., Ltd. / China
Hyundam (Zhangjiagang) Automobile Parts Co., Ltd. / China
TK Carburettor (Ningbo) Co., Ltd. / China
P.T. Aisan Nasmoco Industri / Indonesia
Aisan Corporation Asia Pacific Limited / Thailand
Aisan Auto Parts India Pvt. Ltd. / India
Aisan Sales India Pvt. Ltd. / India
Aisan Industry India Pvt. Ltd. / India
IHD Industries Pvt. Ltd. / India

Americas

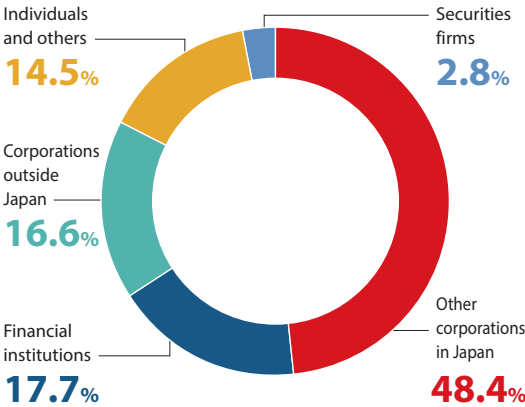
Franklin Precision Industry, Inc. / USA
Aisan Industry Kentucky, LLC / USA
Aisan Corporation of America / USA
Hyundam America Inc. / USA
Aisan Autopartes Mexico, S.A. de C.V. / Mexico

Europe

Aisan Industry France S.A. / France
Aisan Industry Czech s.r.o. / Czech Republic
Aisan Corporation Europe NV/SA / Belgium
Hyundam Slovakia s.r.o. / Slovakia

Share distribution by shareholder

* Excluding the treasury stock

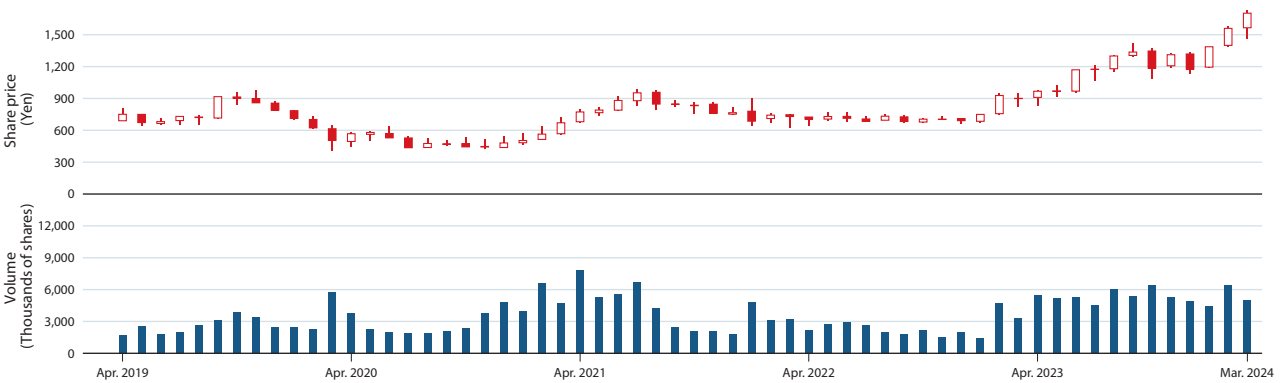


Principal shareholders

Shareholders	Number of shares held (in thousands)	Holding ratio (%)
Toyota Motor Corporation	18,107	29.0
DENSO Corporation	5,500	8.8
Toyota Industries Corporation	4,767	7.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,573	7.3
Custody Bank of Japan, Ltd. (Trust Account)	1,988	3.2
Aisan Industry Employee Stock Ownership Plan	1,626	2.6
Sumitomo Mitsui Banking Corporation	1,580	2.5
RE FUND 107-CLIENT AC	1,030	1.7
STATE STREET BANK AND TRUST COMPANY 505223	999	1.6
DFA INTL SMALL CAP VALUE PORTFOLIO	766	1.2

Note: Holding ratios are calculated by excluding the treasury stock (917,500 shares).

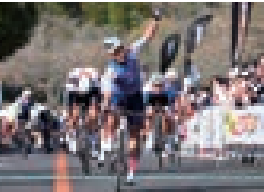
Stock price trends



Corporate sports

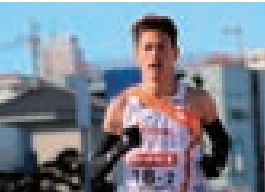
AIKAN Racing Team

Established in 1976 as an in-house club activity, the bicycle club began full-scale racing activities in 1987 when it registered as a business team. Registered as a Continental Team in 2006, the team has been expanding its activities not only in domestic races but also in international races.



AIKAN LONG DISTANCE TEAM

The team was first formed in 1979 by Aisan trainees (currently, Aisan Academy students) from the Company's in-house school, and participated in the Meigi Long-Distance Road Relay. In 2002, the team participated in the All Japan Business Teams Men's Long-Distance Road Relay (New Year Ekiden) race for the first time, and has competed in the event for 23 consecutive years since then.



External evaluation

2023

Renewal of Digital Transformation (DX) Certification as defined by the Ministry of Economy, Trade and Industry



2023

Obtained Kurumin mark from the Ministry of Health, Labor and Welfare



2023

Selected as a certified company under the "Aichi Biodiversity Company Certification Program"



2022

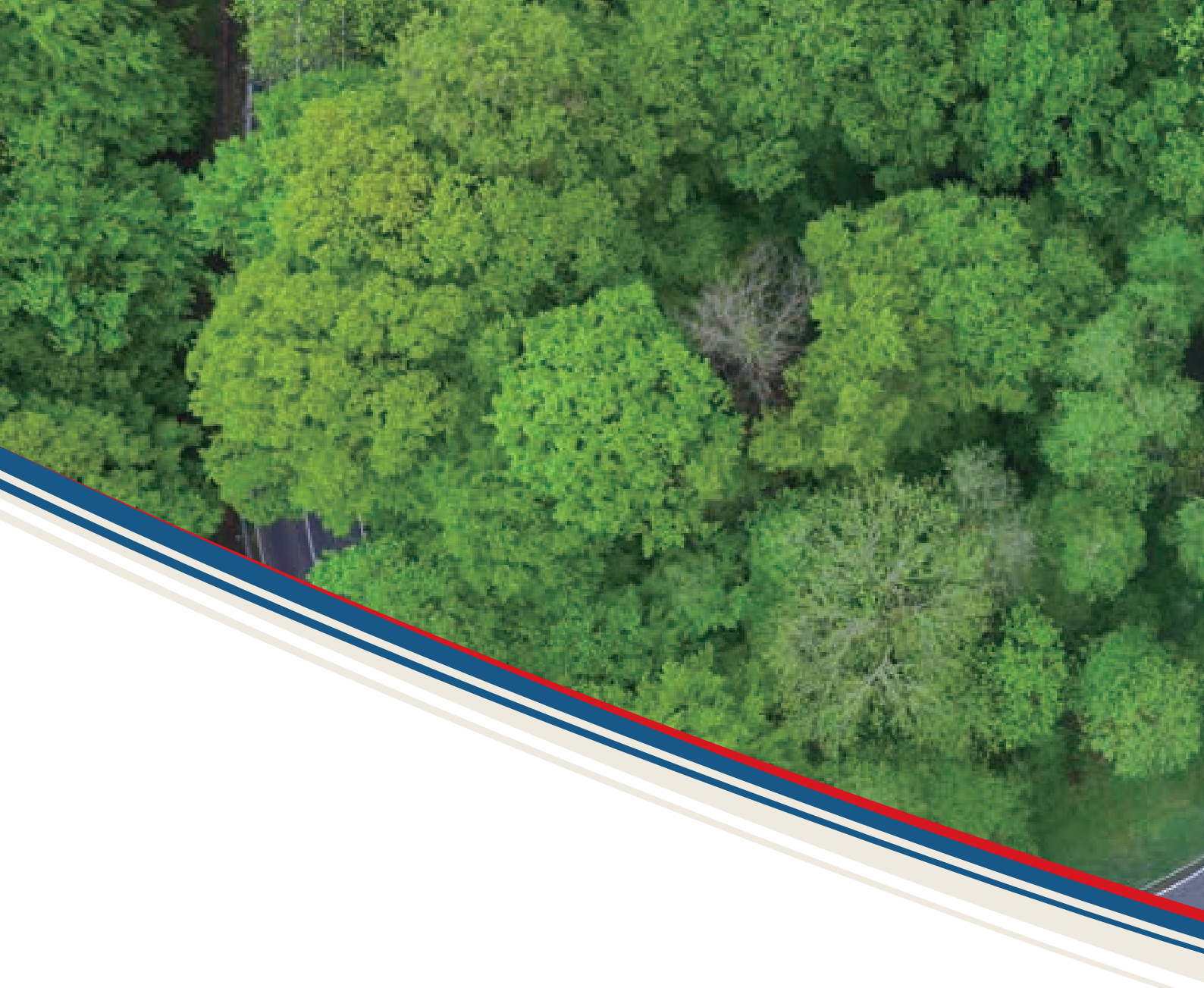
Certified as Eruboshi (2 stars) based on the Act on Promotion of Women's Participation and Advancement in the Workplace



2024

Selected as a 2024 Certified Health & Productivity Management Outstanding Organizations "White 500" in the large enterprise category for the sixth consecutive year





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<https://www.aisan-ind.co.jp/en/>

