

# Integrated Report 2022

For the Year Ended March 31, 2022





# Beaming future is in our hands

## 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

We contribute to society through global growth and environmental preservation

## Aisan Group Action Agenda

1. We believe it is the responsibility of all individuals to improve the quality of each work.
2. We comply with all laws and our company rules.
3. We provide branded products of superior qualities and value with customers' confidence and satisfaction that contribute to sustainable development of society.
4. We strive to improve the environmental quality of our products, packing and operations around the world.
5. We compete and deal fairly that achieve long-term stable growth.
6. We take good care of an employee and get the environment that each one works lively.
7. We respect culture and customs in all places where we do business around the world. We support to improve the quality of life in our local communities.
8. We provide clear and accurate information to the media and general public to maintain integrity in our relations with the public.
9. We are good corporate citizens.

## Editorial Policy

This Integrated Report serves as a tool to provide information on Aisan Industry's medium- to long-term value creation story concisely from both perspectives of financial information, including business performance and medium-term management plan, and non-financial information, including environmental, social and governance, which form the foundation of our sustainable growth. It is our hope that this report will deepen the understanding of our philosophy and value provided to society among shareholders, investors and other stakeholders. 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, 2021 to March 31, 2022 (some sections contain information from April 2022 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) and the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry.

## Positioning of the Report

### Financial Information

Corporate Website  
Financial Statements  
Securities Report  
Others

### Non-Financial Information

Corporate Website  
Corporate Governance Report  
Others

### Integrated Report

## 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.

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# Trajectory of Aisan Industry

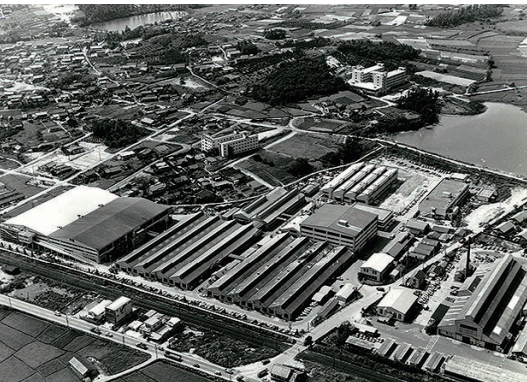
This section introduces Aisan Industry's trajectory in overcoming changes at various times since its founding.

Foundation to 1970s

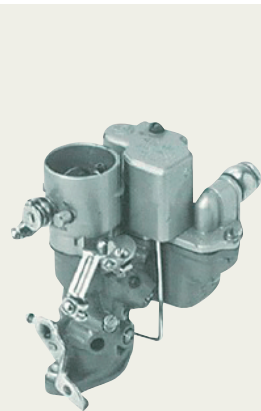
Becoming an automotive parts manufacturer to meet private sector demand post-war

Contributing to motorization as a carburetor company

Aisan Industry, established as a factory for manufacturing war supplies in 1938 in Nagoya, 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. The company headquarters moved to its current location in Obu City in response to the rapidly increased production of carburetors. Aisan Industry contributed to motorization as a company known for its carburetors. During that time, we acquired a wide variety of production technologies and expertise, including precision processing, gas fuel, engine valve forging, and aluminum die casting.



Kyowa Plant (1968)



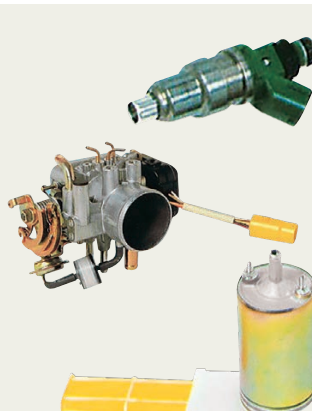
Carburetor for passenger vehicles

1980s to 1990s

Shifting core business to EFI products

Responding to electrification while establishing quality assurance system

In parallel with the gradual tightening of exhaust gas 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) systems. Utilizing carburetor technology, we expanded our product range to include fuel systems, intake and exhaust systems, and sensors and controllers. Furthermore, in order to strengthen its system development capabilities, we acquired the engine calibration business from Toyota Motor Corporation, accumulating evaluation technology and know-how for the entire vehicle.



Initial EFI product



Deming Prize



Solar panels at a production base in China



Hydrogen injector

- Globalized manufacturing of automobiles
- Growth of emerging markets
- Environmentally friendly product development and plant operations

Present

Promoting sustainability management

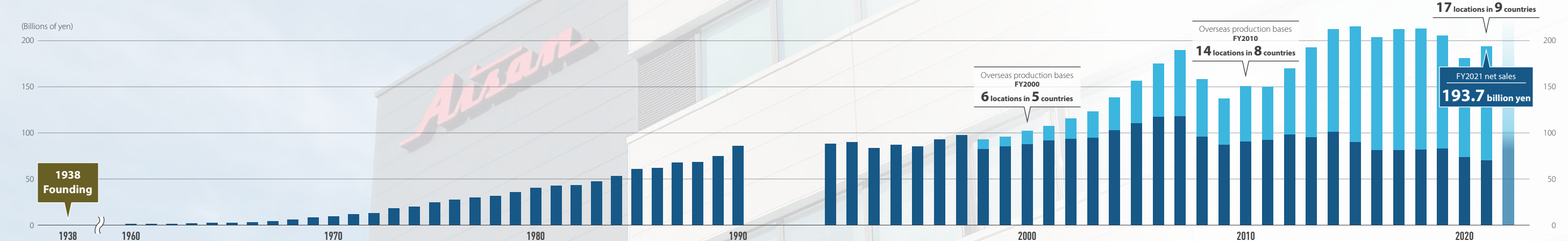
Aiming to resolve social issues through business

In response to the once-a-century transformation of the automotive industry, we formulated the Sustainability Fundamental Policy and VISION2030 as medium- to long-term policies with the aim of contributing to society through technology and manufacturing and providing useful value. The entire Aisan Group is working to resolve social issues and achieve sustainable growth through its business activities.



- Establish safe and secure mobility society
- Diversity and inclusion as well as work style reforms
- Achieve carbon neutrality

## Performance Trends (Sales)



# Value Creation Process

## Issues and perception of the environment

### Mobility

- Response to CASE, particularly electrification
- Break away from conventional engines

### Energy

- Soaring price and depletion of energy resources

### Environment

- Climate change response
- Achieve carbon neutrality

### Change in values

- Shift in awareness towards mobility (ownership to sharing)

### Change in management environment

- Change from vertical integration model to horizontal integration model

## Outcome



## VISION2030

**Realization of beaming future is in our hands**

### Economic Value

#### Stable business revenue

- Consolidated net sales 193.7 billion yen
- Consolidated operating profit 9.8 billion yen (FY2021)

### Social Value

- Contribute to safe and comfortable mobility
- Promote diversity through expanding business foundation
- Develop human resources to support sustainable growth

### Environmental Value

- Reduce CO<sub>2</sub> emissions during vehicle operation with our products

## Input

## Business activities

## Output

(As of end of FY2021)



### Financial capital

- Shareholders' equity ratio 48.0%
- Free cash flow\* 6.5 billion yen
- Financial rating A-



### Production capital

- Capital investment 9.4 billion yen
- Number of manufacturing bases Japan 4 bases Overseas 17 bases



### Intellectual capital

- R&D expenses 10.4 billion yen
- Number of patents owned 1,157



### Human capital

- Number of employees Japan 3,975 Overseas 5,745



### Social capital

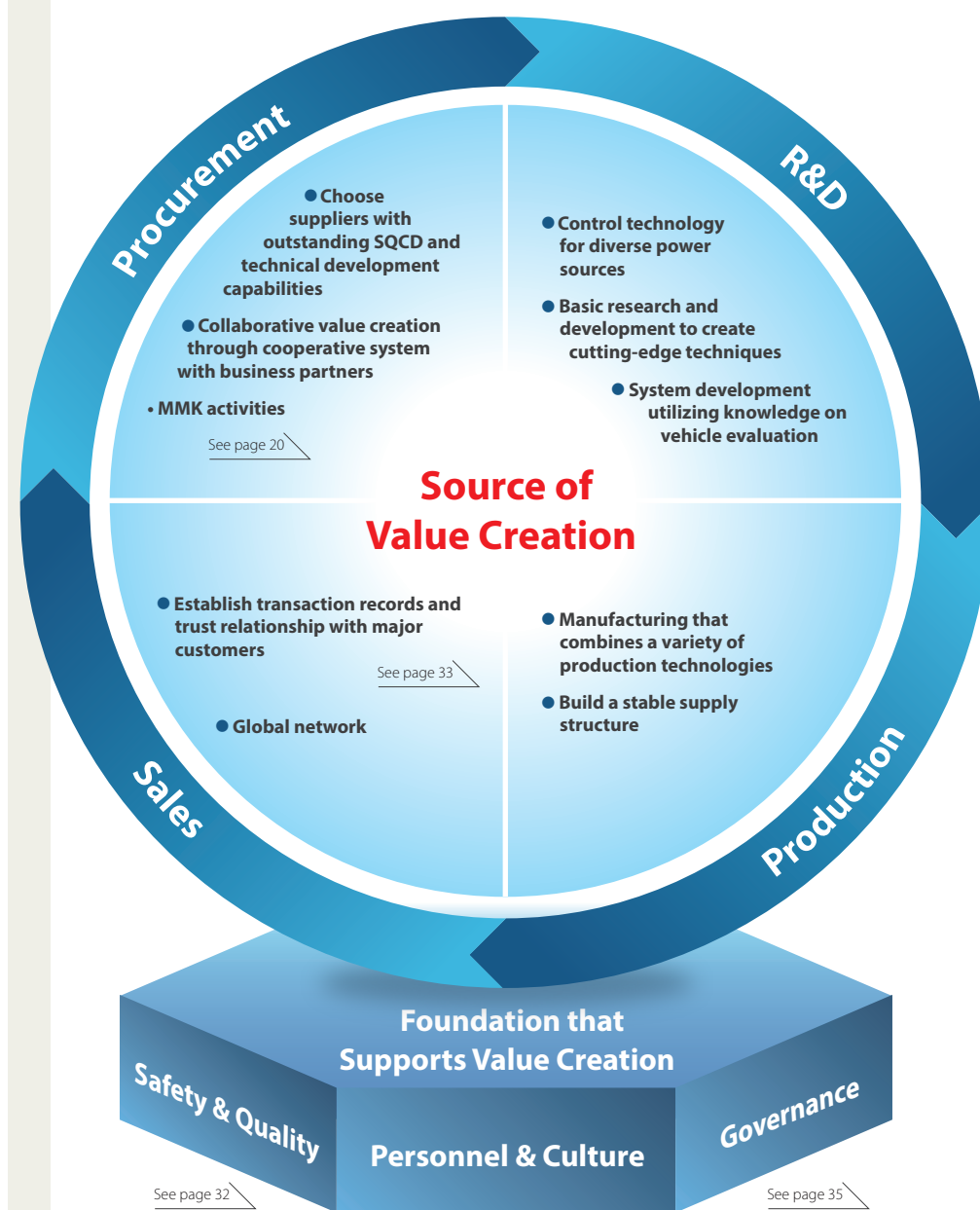
- Number of business partners 1,199 companies



### Environmental capital

- Rate of renewable energy use 0.1%

\* Difference between operating cash flow and investment cash flow



## Medium-term Management Plan (FY2019 to FY2023)

- Strengthen corporate structure and further refine capabilities in response to challenging environment
- Prepare for a new era including electrification (See page 15)



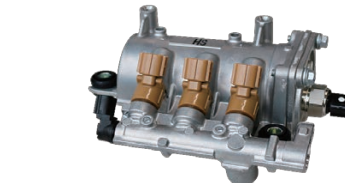
### Products for gasoline vehicles

- Fuel products and systems
- Intake and exhaust products and systems



### Products for clean energy vehicles

- Gas fuel (LPG, CNG, hydrogen) products and systems



### Engineering

- Calibration operations (engine control, compliance with exhaust gas regulations, driving control, system evaluation)



### Software

- Safety devices for driving



## Message from Our President

# Creating a Beaming Future with Our Ambition

*Tokuhiisa Nomura*

**Tokuhiisa Nomura**  
President

## Our Ambition is to Create a Beaming Future

After starting my career at Toyota Motor Corporation, I joined Aisan Industry Co., Ltd. in April 2017 and became President in June 2018.

In my previous role at Toyota, I was an engineer mainly involved in the development of car electronics. I gained experience in developing nearly every type of electrical component used in automobiles, including electronic control parts, electrical equipment, and software. At that time, I placed my undivided attention on a desire to be number one in technical skills in my field. For example, relationships with suppliers mainly involve buying and selling, but in terms of engineering, I needed to acquire the same level of technical prowess as suppliers in order to have conversations on equal footing.

Based on my career experience as an engineer, the thing I felt the most during my first year with Aisan Industry was that the company lacked the spirit of tackling new challenges in technical development. I felt like we needed to reaffirm a sense of urgency in creating new technologies underpinning future growth. Therefore, upon becoming President, I reorganized Aisan Industry's businesses into three axes. The first is Core-products Business (First-axis), driving growth by refining competitiveness, and the third is Future-products Business with a focus on tackling the challenge of new product development. In turn, the second is the

Powertrain System Development Business, which supports the first and third axes (see figure below).

In the third axis, we have worked to acquire electrification-related technologies since 2017 around the theme of hybrid drones. We are now proposing electrified components to automakers that feature the quality perspectives and challenges presented by electrical technologies we acquired through the process of creating the engine design and flight controls for hybrid drones completely from scratch.

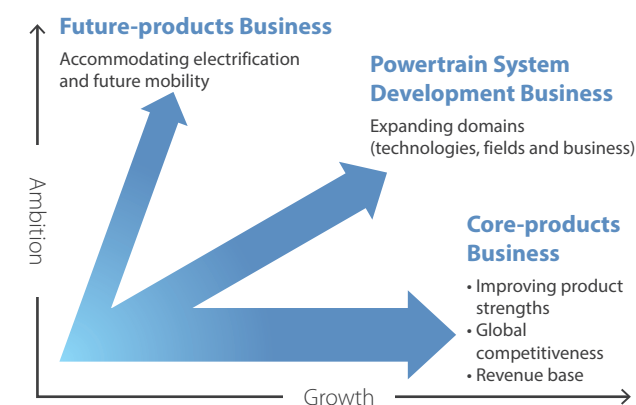
Here, I would like to share my commitment to VISION2030. In 2015, the United Nations adopted the SDGs, which can only be achieved if the world works together across the entire industrial structure and not just individual business sectors. The world's automakers are looking to transform from the automobile design and sales business into mobility companies with an emphasis on people, providing people and society with better living through vehicles. Similarly, Aisan Industry must propose new value in its products and services with flexibility and a sense of speed based on changes taking place at our customers and in society. Therefore, I hope our people feel a keen sense that their work is helping to make society a better place.

VISION2030 was formulated with this in mind. It encapsulates our medium-term goal, and the VISION BOOK\*1 clearly sets out the actions that should be taken to raise awareness among employees and our executive management team to achieve this goal. As top management, I spent a great deal of time considering how I could convey this message to every employee, including frontline workers at our plants. Ultimately, I tell employees in a straightforward manner that actively working to raise awareness about our connections with society represents the first step to achieving the goal laid out in VISION2030 and realizing our Management Principles.

\*1 A booklet created to deepen understanding of VISION2030 and promote positive actions towards its realization. The booklet is handed out to all officers and employees.

See page 13

### Three Business Axes





## Aiming to be No. 1 in Environmental Technologies

The automotive industry today faces the challenges of carbon neutrality and CASE, resulting in a major turning point in its conventional vertically integrated business model. In order to widely provide software and electronics, we must not only use a vertically integrated approach where we work closely with automakers to create and supply components for final assembly, but also take a horizontally integrated approach. We intend to achieve this through the three business axes I touched upon above.

Under the current Medium-term Management Plan, we are working to establish a stable revenue base and prepare for a new era following the three business axes. In fiscal 2021, we faced a challenging operating environment symbolized by major fluctuations in automaker production, semiconductor shortages, logistics disruptions, and soaring raw materials costs. We focused on increasing the earnings power of the Core-products Business and promoted MMK\* activities and value chain activities (see page 20), which enabled us to improve our break-even point of net sales by around 20%. Excluding the impacts of unforeseen factors noted above, we achieved the target laid out in the current Medium-term Management Plan of an operating margin of 5.5% in 2023, one full year ahead of schedule. Going forward, we will promote a shift of resources to the Future-products Business and focus on establishing new businesses centered on electrified products.

Aisan Industry's future vision must be to become the No. 1 company in the automotive industry when it comes to environmental technologies and *monozukuri*.

Aisan Industry has always focused on products that benefit the environment, such as improving fuel economy or cutting exhaust gas. For example, we have been working on gas fuel technologies since the 1960s, and the accumulated technologies from these endeavors have led us to develop hydrogen supply systems for fuel cell vehicles (FCVs). Our *monozukuri* capabilities of safety, quality and cost competitiveness built up through the manufacture of auto parts are not easily mimicked.

Utilizing these strengths, we hope to apply gas fuel technologies to power generation systems using hydrogen and ammonia to expand our reach beyond the automotive industry in contributing to the realization of a decarbonized society.

Our many years of working within a vertically integrated business has resulted in the issues of narrow perspectives and weak proposal capabilities, which remain today. Our young employees are highly aggressive in terms of their careers, and I hope to see them grow with an even greater ambition by providing them with more opportunities to tackle challenges in new fields.

\*MMK: Motto Monozukuri  
Aisan Industry's equivalent to Toyota's Smart Standard Activity (SSA), which is an activity for the optimum quality and performance standards that customers really request.

## Steady Implementation of Sustainability Management

As the position and mission of companies within society change, businesses are expected to engage in management with a broader perspective that includes the entire society; not one limited to optimization within a single industry. As such, business management through the lens of sustainability and ESG initiatives is indispensable. To this end, Aisan Industry has developed a structure to pursue sustainability management, including formulating its Sustainability Fundamental Policy based on the existing CSR Fundamental Policy in April 2022 and establishing the Sustainability Committee to promote sustainability initiatives.

### Environmental

We have set a goal of reducing the Group's CO<sub>2</sub> emissions by 50% compared to 2013. Through efforts of visualizing energy consumption and thoroughly eliminating energy waste, we have reduced CO<sub>2</sub> emissions by about 25% to date. Going forward, we will continue endeavoring to reach our goal by adopting high-efficiency equipment and facilities and researching and developing power generation systems using ammonia that will lead to in-house power generation.

In addition, Aisan Industry endorsed the recommendations of the TCFD\*<sup>2</sup> in May 2022 and began information disclosure based on these recommendations. As we also noted our weaknesses and risks through our efforts to respond to the TCFD recommendations, we will be addressing these challenges in the following Medium-term Management Plan, which I hope will contribute to internal transformation.

\*2 Task Force on Climate-Related Financial Disclosures (TCFD)

### Social

A diverse workforce and a sense of value are indispensable to our sustainable growth. In fiscal 2021, we formulated the Declaration on Diversity and Inclusion and Diversity and Inclusion Policy, thereby clearly setting out our stance to proactively address these topics.

As a major prerequisite, I would like to see growth in each and every employee. It is my strong desire to create a workplace that provides such space for growth with appropriate goals where supervisors and their team members can achieve growth together.

To promote the active participation of women in the workplace, we are undertaking a number of initiatives, such as

actively hiring women to create an employee-friendly workplace that shapes the self-awareness of women. However, as the ratio of female workers remains lower in the manufacturing industry, we are still only halfway towards increasing the number of women in managerial positions. In the meantime, the cultivation of human resources to shoulder the future of our business is also of urgency. Since we will not meet demand by hiring externally alone, we are placing an emphasis on training our internal personnel with the goal of training 100 experts in software over three years (see page 20).

Moreover, we consider respecting the human rights of each individual is considered an important issue to be addressed. As such, we formulated the Human Rights Policy in August 2022. We intend to fulfill our responsibility as a business through encouraging respect for human rights among Group employees and business partners. As many of our business partners are small- and medium-sized enterprises, we are addressing this topic, starting with grasping the current situation across the entire supply chain.

### Governance

We believe that governance is an important prerequisite for proactive decision-making in business management. Since fiscal 2015, Aisan Industry has established the roles of outside directors. Currently, we have appointed three outside directors who utilize their respective backgrounds and expertise in trading companies, accounting, and academia to provide advice and oversight of our business. They also participate in and provide feedback to our Officer Appointment and Remuneration Committee.

In terms of risk management and compliance, while there

have been more industry scandals coming to light, I believe the root cause is the fact that it is hard to raise one's voice in the workplace. To address this challenge, we are conducting what is called "workplace health diagnosis" led by the quality department in order to assess the situation at each workplace. We are obtaining feedback through interviews to determine whether a workplace is conducive to raising one's opinions and if there are any issues in the business process, and implementing improvement once an issue is identified. I will reiterate to our employees the idea of maintaining common sense and decency and calling out what is wrong. This is critical for compliance and risk management.



## Harnessing Individuals' Abilities to Evolve into a Company Required by Society

In order for Aisan Industry to remain essential to society in the future, we pledge to play a leading role in the mobility society with our advanced environmental technology and manufacturing that can respond to all forms of automobile powertrains (power sources) as automakers transition to mobility companies.

I hope our employees will take on their daily duties with a sense of gratitude and drive to meet this challenge. There is a limit to work fulfillment and personal growth on an individual level.

I hope that employees will embrace as many challenges as possible with intent and determination while valuing teamwork and having gratitude for their colleagues supporting them. Such a mindset will propel one's own growth and further drive the growth of the organization and company. I continue to emphasize that individuals' efforts will ultimately contribute to society and our affluent lives. We will work on the goal in our slogan "Beaming future is in our hands," heading toward 2030.



## Promoting Sustainability Management

### Our Approach to Sustainability

In recent years, society overall has experienced a major shift toward focusing on sustainability as demonstrated by measures to address ESG and the United Nation's Sustainability Development Goals (SDGs).

Since our founding, we have followed the Management Principles of "We contribute to society through global growth and environmental preservation" in developing our business as an auto parts supplier and fulfilled our corporate social responsibilities. To achieve a sustainable society in the future, we must actively work to contribute to the environment and society through our business and seek sustainable growth. With this in mind, we have decided to promote sustainability management that balances both the needs of business and a sustainable society.

In April 2022, we formulated our Sustainability Fundamental Policy based on our Management Principles, VISION2030 and our previous CSR Fundamental Policy, and we revamped our promotion structure. Going forward, we will put initiatives into action, contribute to the environment and society, and enhance corporate value.

### Process for Achieving Sustainability Management



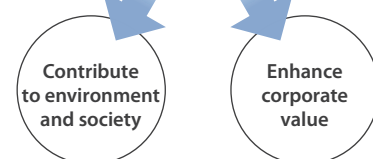
### Sustainability Fundamental Policy

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.

### Management Policy Pyramid



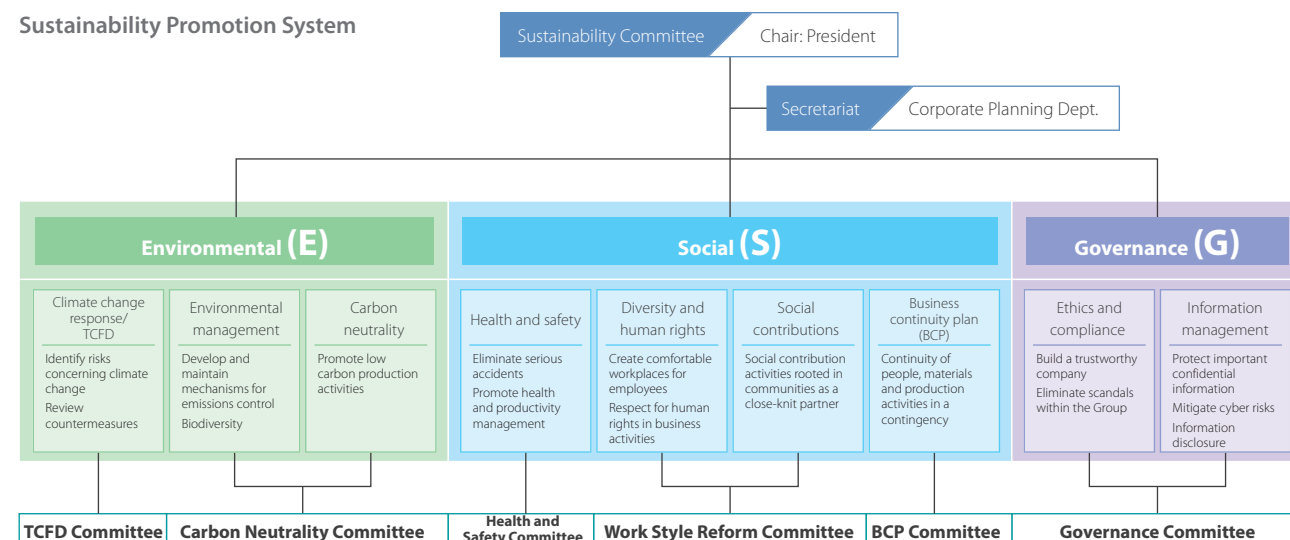
### Medium-term Management Plan/ Fiscal Year Policies



### Establishment of Promotion Organization and Formulation of Policies

In April 2022, we established the Sustainability Committee in order to conduct comprehensive management reviews on the direction and suitability of our ESG actions by executive management in accordance with the Sustainability Fundamental Policy.

### Sustainability Promotion System



### Identification of Materiality

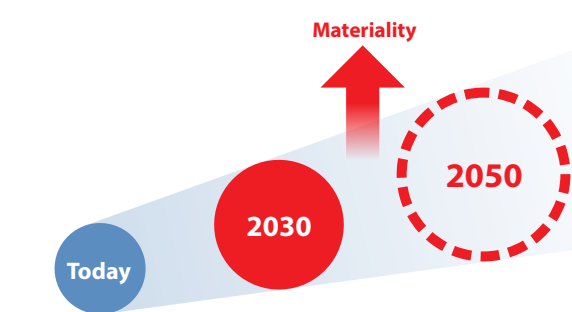
The Aisan Group has identified its materiality (key issues) that it must address with a long-term perspective out to 2050 based on the Sustainability Fundamental Policy. Using the materiality in VISION2030 formulated in January 2021 as a foundation, the identification process redefined these key issues on a company-wide

basis and with a long-term perspective, incorporating our contributions to business, the environment, society and governance. Looking ahead, we will determine specific targets (KPI) and measures for each function and have the Sustainability Committee, chaired by the President, verify and approve the progress of activities.

### Identification Process

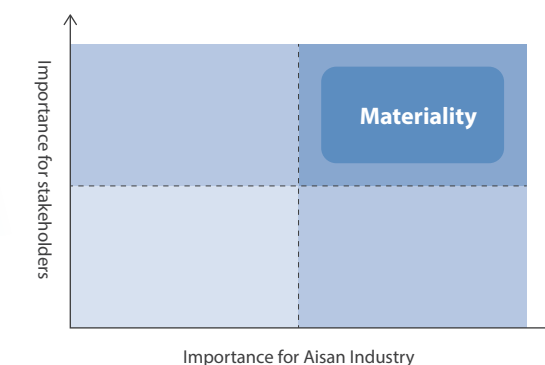


### Establish Future Vision of Society and Select Potential Material Issues



Identify long-term materiality along with prioritized themes from today out to 2030 and 2050

### Evaluation and Identification of Materiality



### Aisan Industry's Materiality

Category	Materiality (key issues)	Prioritized themes	Related SDGs
Operation	Realizing technological innovation and creating new values through <i>monozukuri</i>	EV technology, MBD, battery technology, technology related to the diversification of energy sources, electronic components production technology, software development capability, sensor technology, and system development	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
E	Contributing to the development of a recycling-based society with innovative thinking and technology	Climate change initiatives, zero waste, carbon neutrality, developing technology for hydrogen-based society, initiatives for the diversification of energy sources, and harmony with nature	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
S	Human Resource/Corporate Culture	Human resource development, diversity, work style reform, safety/health, DX (robotification and IoT), and employee engagement	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Society	Achieving harmony with the local community and contributing to a sustainable society	
G	Governance	Establishing a governance system stakeholders can rely on	16 PEACE, JUSTICE AND STRONG INSTITUTIONS



# VISION2030

## Philosophy of the Vision

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.

In January 2021, we established VISION2030 as a roadmap for contributing to the realization of a sustainable society through our business activities. In VISION2030, the entire Aisan Group shares the same direction under the key message—Beaming future is in our hands—and the goals, which are set out at left.

Through the statement “Making the present society more convenient,” we seek to contribute to an evolution of environmentally-friendly mobility by using our strengths in environmental technology and systems development technology. In terms of “Bringing happiness to future generations,” we will broadly contribute to future society through the realization of a hydrogen-based society and value creation for a more comfortable and enriching society.

## Two Business Domains and Three Foundations for Vision Fulfillment

### Business

#### Mobility

##### Providing a clean and safe mobility for all

- Develop products for a low- and zero-carbon society using our environmental technology
- Support the evolution into safe and secure mobility as a system supplier

#### For the future society

##### Creating a “+1” value to enrich and improve the liveability of society

- Create a future that expands the possibilities of mobility
- Contribute to the realization of a hydrogen-based society through our technologies and new value creation

### Foundations

#### Digital transformation (DX)

##### Agility and robotic innovation

- Evolve development with adaptability in mind
- Establish zero emission smart factories

#### Human resources

##### Diversity and inclusion Work style reform

- Provide opportunities for employees to exhibit their skills
- Provide a work environment tailored to work styles

#### Workplace culture

##### Aiming for further growth with our sense of pride and willingness to take on challenges

- Willingness to take on challenges has overcome many changes and opened up new paths
- Provide open workplaces where employees take pride and responsibility of their work and can discuss anything

## Initiatives to Achieve Our Goals

### Business/Mobility



#### Main Initiatives

See page 18

#### Core-products Business

- Turn four core products into world-beating No. 1 products
- Become the leading global manufacturer of environmentally-friendly evaporation systems

### Business/Future Society



#### Main Initiatives

See page 18

#### Future-products Business

- Provide new mobility solutions
- Create new business and products by developing technology for a new mobility society, such as HVs, EVs, FCVs and CASE

### Foundation



#### Initiatives for Digital Transformation (DX)

##### Expansion of DX Infrastructure

- Develop human resources skilled in digital technology and foster awareness of reforms
- Enhance IT security
- Strengthen digital governance

##### DX Reforms

- Reform business processes for core products (transition from vertical integration to horizontal divisions)
- Data development (establish mechanism for centralized management of companywide data)
- Build production lines that don't need to be stopped and won't stop (improvements through data analysis)
- Increase efficiencies of production floor (introduce e-ledgers and visual inspections)
- Work style reforms (TPS reforms, go paperless, and support the regular use of telework)



Accredited with Digital Transformation (DX) Certification (October 2021)

#### Main Initiatives in HR and Corporate Culture

See page 27

##### Cultural Reforms

##### Create a dynamic and vibrant workplace culture

- Initiatives involving labor and management to achieve policies

##### HR Reforms

##### Flexible organization and work style reforms to transform business portfolio

- Expansion of training system
- Personnel system reforms
- Software talent development
- Work style reforms

##### Utilization of Diverse Workforce

##### Position diversity and inclusion as a management strategy paramount to sustainable growth

- Empower female employees (at least 10 female managers by 2030)
- Foster globally-minded human resources
- Promote the active role of employees re-hired after reaching mandatory retirement age
- Encourage employment of people with disabilities

Obtained Eruboshi Certification (2 stars)



## Initiatives to Instill Our Vision

We are promoting activities to deepen our understanding of the vision. Group employees are given a booklet providing commentary on our vision to concisely convey the background to vision formulation along with connections to individual duties, our goal, and social challenges. We also use our company newsletter to repeatedly get the word out about the specific initiatives of each business aimed at realizing our vision.

Additionally, we conduct a survey to assess employee awareness every six months. In the survey for the second half of fiscal 2021, the percentage of responses of “The goal aligns with my beliefs” and “I can visualize the goal” to the question on empathy with our vision increased across all employee ranks compared with the first half of fiscal 2021, reaching 80% overall. Going forward, we will deepen understanding and empathy toward our vision and encourage employees to use this knowledge to take action.



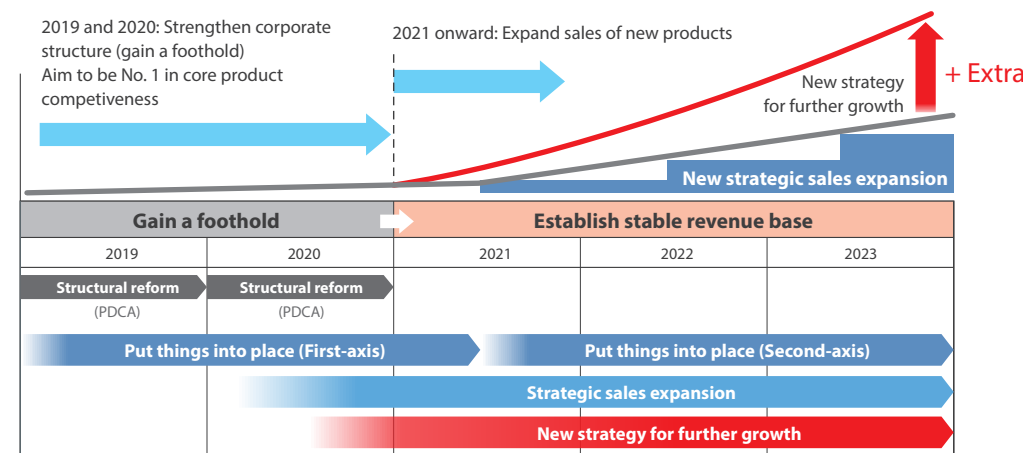
VISION BOOK



# Medium-term Management Plan

## Overview of Medium-term Management Plan (FY2019 to FY2023)

The current Medium-term Management Plan was formulated based on the two principles of preparing for a new era, including electrification, as well as strengthening our corporate structure and further refining our capabilities in response to the challenging environment. Under the goal of shifting from a focus on sales to one geared toward robust earnings structure and solid growth, the first half of the plan, two years, is positioned as Step 1—gain a foothold and put things into place—while the second half represents Step 2—establish stable revenue base.



## Policy

In Step 1—gain a foothold and put things into place, we have increased our competitiveness globally by strengthening product capabilities after fortifying our manufacturing and reviewing the value chain in the Core-products Business. In fiscal 2021, we entered Step 2—establish stable revenue base. Since then, we have been working to address prioritized issues based on the basic policies for each of the three axes.

### Performance Targets

(Unit: billions of yen)

	FY2018 (Results)	FY2021 (Results)	FY2023 (Target)
Net sales	213.4	193.7	225.0 +*
Operating profit	8.2 (3.9%)	9.8 (5.1%)	12.5 (5.5%)
Capital investment	16.5	9.4	Development of innovative production methods and new production methods Reduce capital investment (-30%)
R&D (as a percentage of consolidated net sales)	5.3%	5.4%	6% (+1%UP) HR recruitment and development as well as R&D

### Basic Policy

#### Business and Management

- Refine technological capabilities and product quality and contribute to local community as leading business in town
- Strengthen revenue base and implement strategy for new growth so as to ensure sustainable growth as a company

#### First-axis

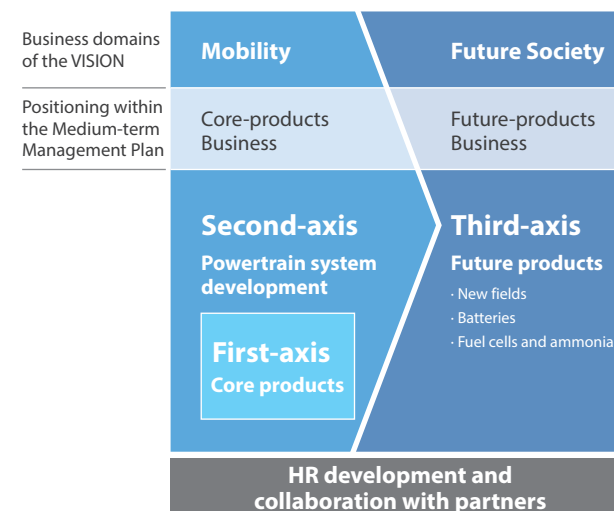
- Turn four core products into world-beating No. 1
- Become leading global manufacturer of environmentally-friendly evaporation systems

#### Second-axis

- Become capable of supporting powertrain systems for all types of mobility

#### Third-axis

- Provide new mobility solutions
- Create new business and products by developing technology for a new mobility society, such as HVs, EVs, FCVs and CASE

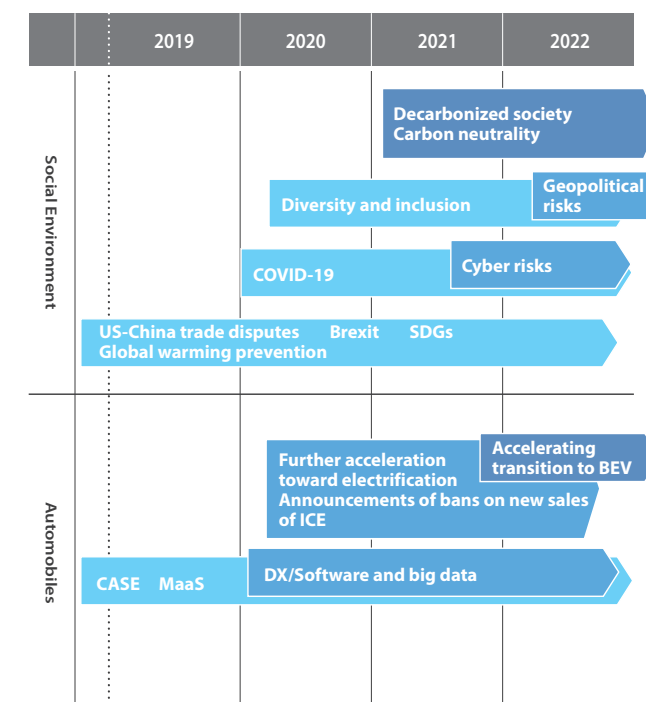


## Changes in Management Environment and Our Response

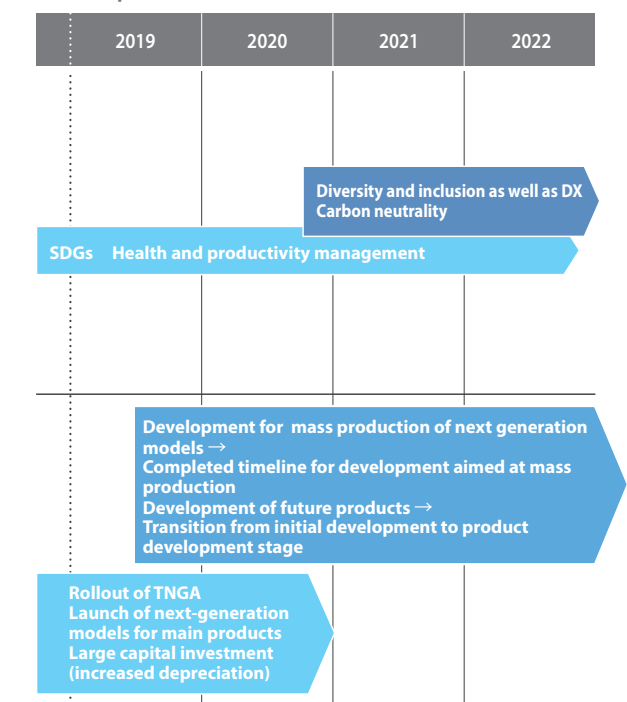
When we first formulated the plan, it was a period when the operating environment around Aisan Industry had changed significantly. These changes include elements having a major impact on the Company's revenue base, such as soaring raw materials and labor costs globally and tougher competition with manufacturers in emerging countries, along with the transformation taking place in the automotive industry symbolized by CASE.

We formulated a basic policy and strategy based on these factors, but the risks we face as well as the needs of the automotive industry have further changed, driven by the COVID-19 pandemic of 2020 and quickening pace of the movement toward decarbonization in the international community. We are now accelerating our efforts to address new challenges, such as carbon neutrality, the acceleration of electrification, and response to DX as well as diversity and inclusion.

### External Environment



### Our Response



- Response to semiconductor shortage, logistics disruptions and soaring raw materials prices
- Accelerate electrification development aimed at carbon neutrality
- Reduce CO<sub>2</sub> using LCA\*
- Promote work style reforms including diversity and inclusion
- Formulate and implement business continuity plan in preparation for disasters such as earthquakes occurring in the Tonankai and Nankai areas

\*Life Cycle Assessment: A method for quantitatively evaluating environmental impacts of a certain product or service in the entire lifecycle or specific stages.

- Minimize impacts on business activities caused by COVID-19 and markets
- Promote initiatives for achieving VISION2030
- Shift from safety and environment to increasing diversity and inclusion as well as DX
- Further improve revenue structure
- Enhance system for developing new fields and future products

# Business Strategy

## Medium- to Long-term Strategy and Current State

In addition to a Medium-term Management Plan leading up to fiscal 2023, we established a policy for business portfolio transformation toward 2030 (see figure below). Under the current Medium-term Management Plan, we have focused on introducing next-generation products in fiscal 2022 and beyond, and strengthening our revenue base supporting inroads into new segments and the introduction of new products to markets in 2025 and later.

In the Core-products Business, we have worked on four main areas: (1) strengthen the revenue structure of existing products; (2) aim for competitive, next-generation elite products; (3) prepare the production system for market launch and global rollout; and (4) conclude fuel pump module (FPM) business purchase agreement with DENSO Corporation. Each of these efforts is progressing according to plan. With regard to (1) strengthening the revenue structure in particular, we have greatly improved profit margin by sustaining triple-pronged improvement activities involving customers and suppliers, despite the major impacts caused by the COVID-19 pandemic, such as suspension of production activities and fluctuations in demand. As a result we have established the ability to achieve our target operating profit margin of 5.5%.

In the Future-products Business, we have worked on three areas: namely, (1) acquire technologies that will help us gain a foothold; (2) new product development utilizing existing technologies; and (3) review of future scenarios in response to acceleration of electrification. We have been able to acquire technologies around the theme of hybrid drones as well as identify domains with strong demand and where we can utilize our strengths. We plan to share our technology scenarios for the medium to long term when the timing is right.

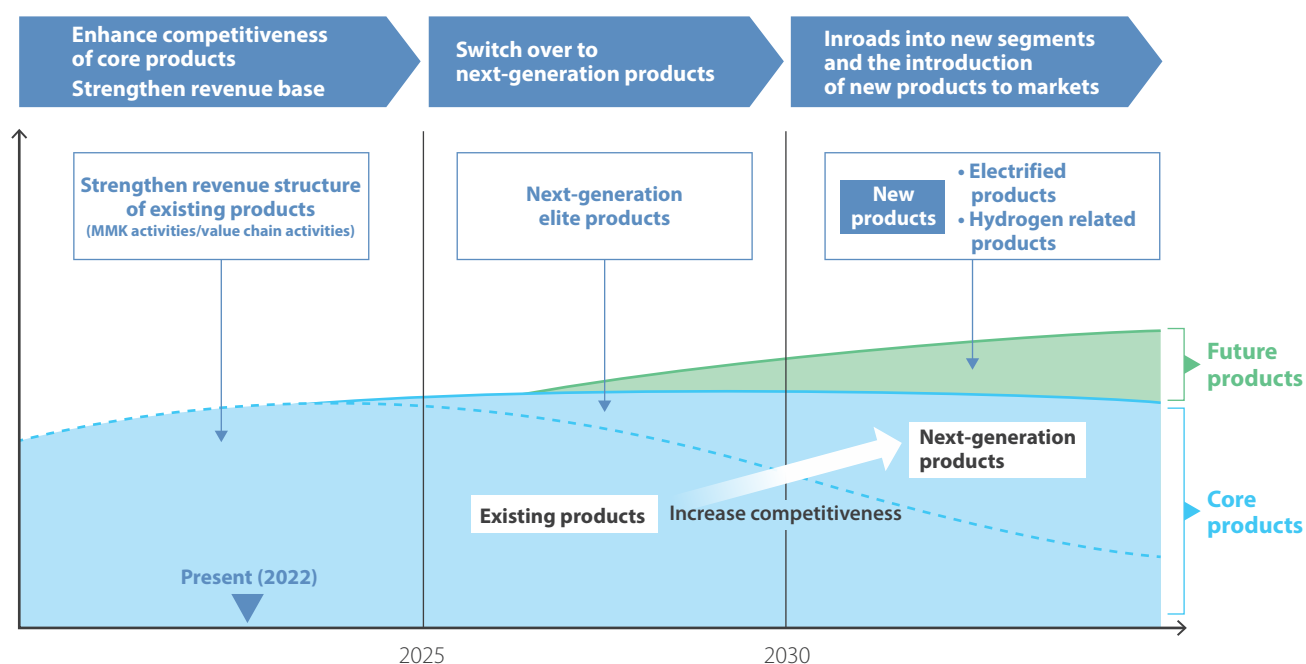
## Current State of Progress

<b>Core products</b>	<ul style="list-style-type: none"><li>• Strengthen revenue structure of existing products</li><li>• Aim for competitive, next-generation elite products</li><li>• Get production ready for market launch and global rollout</li><li>• Conclude fuel pump module business purchase agreement with DENSO Corporation</li></ul>
<b>Future products</b>	<ul style="list-style-type: none"><li>• Acquire technologies that will help us gain a foothold</li><li>• New product development utilizing existing technologies</li><li>• Review of future scenarios in response to acceleration of electrification</li></ul>

## Targets, Results and Issues of Each Business

	Core products	Future products
<b>Policy</b>	<ul style="list-style-type: none"><li>• Establish our four core products as best in class worldwide (throttle body, fuel pump module, EGR valve and canister)</li><li>• Become the top global manufacturer of environmentally-friendly evaporation systems</li></ul>	<ul style="list-style-type: none"><li>• Provide new mobility solutions</li><li>• Create new business and products by developing technology for a new mobility society, such as HVs, EVs, FCVs, and CASE</li></ul>
<b>Target</b>	<b>Consolidated operating profit ratio of 5.5% or higher in the Medium-term Management Plan</b>	<b>Bring new products to market in 2025</b>
<b>Prioritized issues</b>	<b>Establish resilient revenue base</b> (1) Increase MMK mindset (2) Streamline fixed costs (3) Promote local procurement (4) Become top manufacturer in the world <b>Complete development of next-generation core products</b> (1) Complete basic design for 2030s (2) Complete basic design in preparation for new models to be released in 2023 and beyond (3) Establish foundation for shifting resources	<b>R&amp;D</b> (1) Acquire electrification technologies around the theme of hybrid drones (2) Develop human resources in software through re-training <b>Manufacturing</b> Transition from initial development stage to specific product development stage (1) Battery cell case and cover (2) DC-DC converter
<b>Results</b>	<b>Established revenue base</b> Revenue improved by 4.4 billion yen and our consolidated operating profit ratio increased to 5.1% through the strengthening of manufacturing with MMK activities and value chain activities, in addition to reducing purchasing costs and increasing sales efforts. Completed basic design of next-generation products and preparations for their launch. Concluded business purchase agreement for fuel pump module business with DENSO Corporation. <b>Completed development of next-generation core products</b> Completed basic design of four core products, secured manufacturing accuracy, and established estimate of costs	<b>R&amp;D</b> Acquired power control unit (control software, DC-DC converter and inverter) and power generation motor (drive motor) technologies and prepared for electrification. Started training as planned to develop 100 human resources with expertise in software using re-training. <b>Manufacturing</b> (1) Battery cell case and cover • Developed pilot line • Transitioned from prototype to product development stage • Started proposal activities for customers (2) DC-DC converter • Created more compact designs using existing technology • Promoted development of high-efficiency design technology for power source conversion
<b>Remaining issues</b>	<b>Increase competitiveness</b> Accelerate value chain activities in North America, ASEAN and India <b>Address surging material costs</b> Explore substitute materials and formulate procurement scenarios <b>Address supply-side risks</b>	<b>Further realization of new products</b> <b>Explore places to utilize hydrogen technology</b> Respond to the shrinking FCV market caused by changes in external environment, and expand domains to compact fuel cells and power generation to explore market needs <b>Establish advantages over competitors</b> Conduct thorough benchmarking and explore domains and technologies where we can utilize our strengths <b>Develop human resources in software</b> <small>See page 29</small>

## Medium- to Long-term Roadmap





Product-specific Initiatives

Core products				
	Roles of Products	Market Environment (to 2030)	Initiatives	Results and Issues
Throttle body	Contributes to improved driving performance by controlling the amount of air entering the engine	<ul style="list-style-type: none"><li>Global market share: Around 15%*</li><li>Automobile sales are expected to grow in the ASEAN region (from around 10 million units to around 25 million units)</li></ul>	<ul style="list-style-type: none"><li>Develop next-generation elite products</li><li>Ensure cost competitiveness through simplification of structures, model consolidation, and quality optimization</li></ul>	<b>Results</b> <ul style="list-style-type: none"><li>Completed development for mass production</li><li>Number of parts down 25% (compared to existing products)</li></ul> <b>Issues</b> <ul style="list-style-type: none"><li>Smooth model switch</li></ul>
Fuel pump module	Contributes to improved fuel economy with more finely tuned controls by unifying peripheral products, such as fuel pumps, which send fuel to the engine, pressure regulator, which maintains pressure, and flow controllers	<ul style="list-style-type: none"><li>Global market share: Around 19%*</li></ul>	<ul style="list-style-type: none"><li>Activities geared towards FPM business purchase from DENSO Corporation</li><li>Activities geared towards obtaining approvals from the competition regulators of each country and region</li></ul>	<b>Results</b> <ul style="list-style-type: none"><li>Concluded FPM business purchase agreement</li></ul> <b>Issues</b> <ul style="list-style-type: none"><li>Materialization of strategies for growth</li></ul>
EGR valve	Contributes to improved fuel economy and lower NOx by recycling exhaust gas by sending it to the inlet port and onward to the combustion chamber	<ul style="list-style-type: none"><li>Around 53%* in domestic market share, and around 56%* in Chinese market share</li><li>As the reduction of NOx is being advocated worldwide, more EGR valves are expected to be installed in the future</li></ul>	<ul style="list-style-type: none"><li>Expand sales to automakers</li><li>Further enhance competitiveness through quality optimization</li></ul>	<b>Results</b> <ul style="list-style-type: none"><li>Established technology for new method and completion of cost estimation</li></ul> <b>Issues</b> <ul style="list-style-type: none"><li>Considerations for feasibility of new technology adoption (changes in external environment and cost-effectiveness)</li></ul>
Canister	Prevents fuel evaporation gas emissions generated in the fuel tank and supply lines that cause air pollution	<ul style="list-style-type: none"><li>Tightening of regulations in each country (Euro 6 in Europe, China 6 in China, Bharat Stage 6 in India, etc.)</li></ul>	<ul style="list-style-type: none"><li>Improve profitability by consolidating product types and curtailing investment</li></ul>	<b>Results</b> <ul style="list-style-type: none"><li>Reviewed alternative materials</li><li>Responded to supply risks</li></ul> <b>Issues</b> <ul style="list-style-type: none"><li>Response to soaring material costs</li></ul>

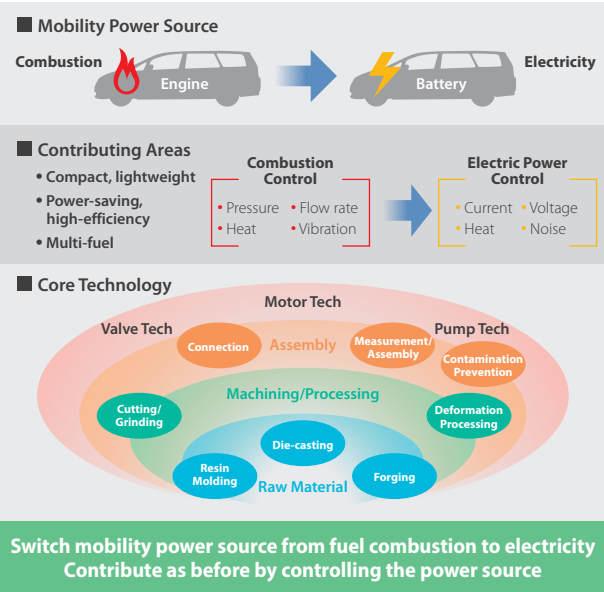
\*In-house research

Future Products

Even though the mobility market is expected to grow by 2030, the trend of electrification is accelerating at a higher speed, with a bill passed by the European Parliament that effectively bans the sale of new ICE cars and vans by 2035. Developing electrification technology and bringing electrified products to market for our sustainable growth is an urgent issue facing the Group.

Until now, we have contributed to the domain of combustion control in ICE vehicles that utilize combustion as a power source. We will follow the shift in power source and aim to contribute to the domain of electricity control through our two-pronged approach to make inroads into the market for electrified products. The first approach is the application of existing core technology and the second approach is the adoption of new technology, such as software and circuits. We will actively invest our resources in both in order to expedite our response to electrification.

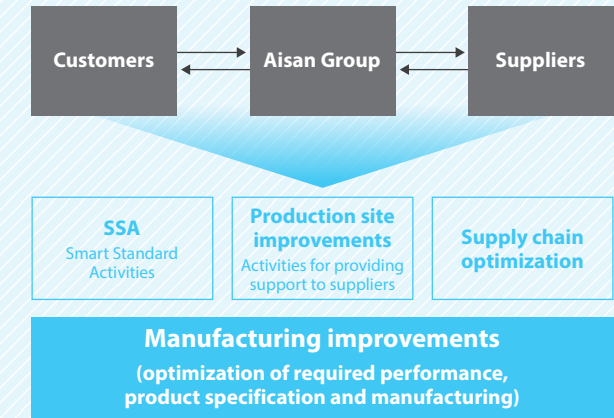
Initiatives Geared Towards Electrification



Case Study of Initiatives Supporting our Business

MMK Activities to Strengthen Manufacturing

These activities aim to increase competitiveness and optimize required performance, product specification, along with manufacturing from the standpoint of the entire supply chain, with our Group, customers and suppliers working together. The assigned leader of each product takes on the role of cross-functional coordination, including sales, procurement, engineering, production control, production, and quality, in addressing issues collaboratively. In the case study of fuel pump module, the result of our revenue improvement was demonstrated

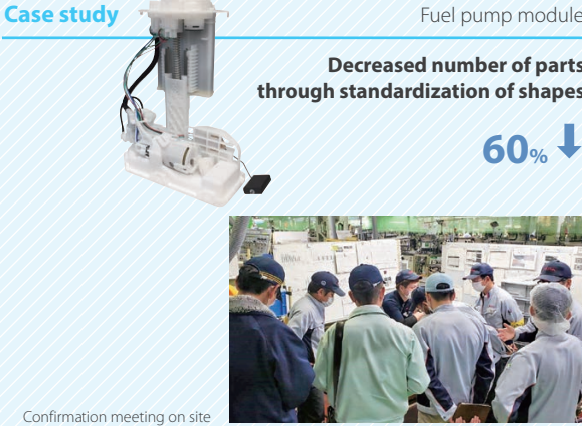


Core-products Business

by the 60% reduction in the number of parts through standardization of shapes.

One aspect of our MMK activities is that they also foster human resources that think in terms of Genchi Genbutsu,\* overall optimization, and building relationships where people can speak their minds. This also contributes to the cultivation of a corporate culture that addresses issues as one team transcending the boundaries of organizations to reach a common goal.

\*Genchi Genbutsu: A key principle of the Toyota Production System meaning "onsite hands-on experience."



Value Chain Activities

We are working in each priority region of China, North America, ASEAN, and India to ensure each functionality operates collaboratively to improve the competitiveness of our core products and ensure a highly profitable structure. In China, we have selected 100 new business partners through a company-wide joint effort between the Chinese team, which primarily consisted of sales office representatives, and the Japanese team which consisted of members on the procurement, product design, and production engineering teams. We worked on the optimization of drawings and local procurement of equipment. In adopting mass production, we established a QCD evaluation system and optimized manufacturing according to local needs, including relaxing tolerances while ensuring quality. In the case study of fuel pump parts, we were able to procure locally by using the existing equipment after modifying the tolerance level, which reduced the cost of parts procurement by about 35%.

Core-products Business



## Message from the CFO

**We aim to increase our competitiveness as a manufacturer, maintain financial soundness, and balance proactive growth investment for the future generation and stable shareholder returns.**

Shigekazu Kato  
Director (In Charge of Finance)

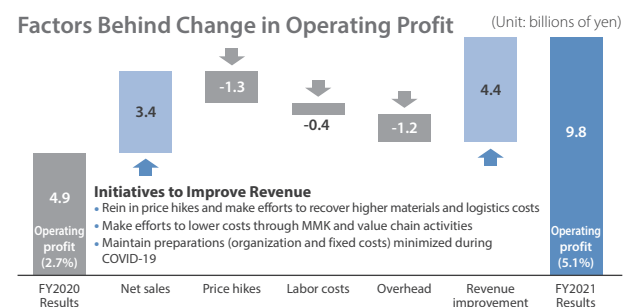


### Review of Fiscal 2021

In fiscal 2021, business conditions remained challenging with the supply shortage of parts, including semiconductors, and soaring prices of raw materials. However, as a result of implementing profit improvement efforts across the entire Group, we achieved 193.7 billion yen in consolidated net sales and 9.8 billion yen in consolidated operating profit. I believe our 4.4 billion yen improvement in Group-wide revenue can be attributed to steady marketing efforts that contributed to sales and measures to limit fixed costs, as well as initiatives to increase manufacturing capabilities through MMK (strengthening of manufacturing) and value chain activities.

Although the costs of materials and logistics have continued to rise in fiscal 2022, we are responding to this challenge by formulating a plan that anticipates this from the beginning of the fiscal year. First of all, we have factored in all of the increased component costs into the budget and created a plan to compensate for these costs through improving profitability. We will modify this plan as needed according to the present situation.

In terms of response to exchange rate fluctuation, while it is difficult to immediately revise our production structure, we recognize the need to address this from a medium to long-term perspective. In addition, we have defined the parameters for capital investment at 10 billion yen per year and R&D spending at 11 billion yen per year. At the same time, we will always pursue very selective investment and control depreciation and expenses in building the foundation for our future business.



### Emphasis on Initiatives that Increase Our Competitiveness as a Manufacturer

As a manufacturer, we believe that comprehensively increasing our competitiveness in terms of safety, quality, productivity, and supply capacity, including lead time, represents the foundation for sustainable growth. In this context, from the perspective of improving production business efficiency, such as boosting productivity and shortening lead times, we strive to visualize whether inventories are maintained at an appropriate level globally on a quarterly basis. In the current situation, where there is a shortage of various semiconductors, inventory is building up, and the inventory turnover rate is decreasing. We are carefully managing which items and how much inventory we have.

In addition, from the perspective of improving productivity

and securing space, we are continuously promoting part number reduction activities to eliminate service parts with low production quantities in consultation with customers. For unprofitable products, we have formed a special team to work on variable cost improvement activities to achieve our goals.

I am in charge of finance, but as a manufacturer, I believe that the superiority of manufacturing capabilities will create the foundation for the company's financial structure. We constantly ask ourselves a number of things—whether there is any over-exertion, waste, or unevenness in our supply chains, such as the frontline operation status and the flow of goods, whether inventory is stagnant, whether an organized environment is being maintained,

and whether there is a mechanism to improve such work processes. In this way, we work to make improvements while repeatedly discussing these questions as a team.

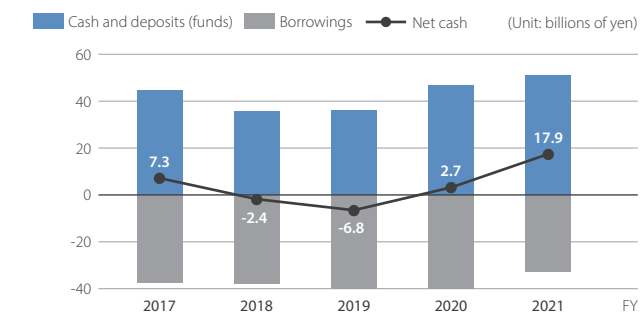
President Nomura always says, "Let's do a better job and work smart." This refers to highly productive work that has clear standards and processes, involves good communication in the workplace, and is correct the first time. I believe that if we continue to do good work and make high-quality products well, costs will inevitably decrease and, in turn, lead to positive financial performance. We are working on one of the policies of the current Medium-term Management Plan, "keep fixed costs under control," in order to establish a strong financial base. Under the policy of "if you start a new project, you will need to either improve or give up on other existing projects," we make investment decisions while thoroughly discussing relevant matters.

As a result of these efforts, we were able to improve break-even net sales by about 20% compared to 2018, and we largely achieved the targets of the current Medium-term

Management Plan in terms of profit ratio and net cash.

At the start of the current Medium-term Management Plan (fiscal 2018), our consolidated net cash position was negative, but in fiscal 2021, we improved this by 20.4 billion yen compared to fiscal 2018, resulting in a positive position.

### Trend in Net Cash Position

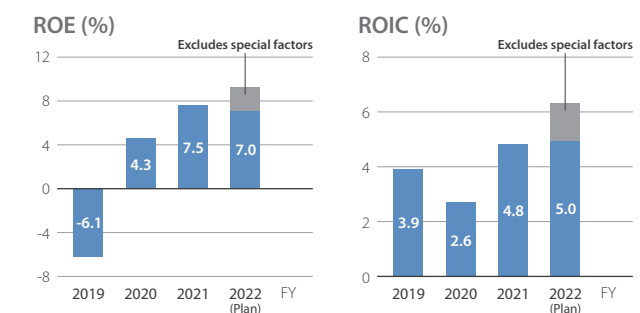


### Approach to Investment Efficiency and Shareholder Returns

Our basic approach to capital policy is to strengthen the Core-products Business for sustainable growth and to maintain the capital level necessary for initial investments in Future-product Businesses. By using metrics such as capital efficiency (ROE) and return on invested capital (ROIC), we will identify issues while monitoring the capital efficiency of our business activities, promote necessary improvement activities, raise appropriate funds, and return profits to shareholders, thereby achieving both financial soundness and active investment for future growth.

In fiscal 2021, we paid an annual dividend of 29 yen per share (interim dividend of 15 yen and year-end dividend of 14 yen; consolidated dividend payout ratio of 26.8%). We have set a consolidated dividend payout ratio of 30% as a guidepost, and we intend to maintain this level even after actively investing in growth

areas such as environmentally friendly technologies, including electrification. We will continue to pay stable dividends over the medium to long term.



### Working to Achieve VISION2030

We established VISION2030 as our guide to achieving our goals for 2030. Even in my role as CFO, I have a duty to achieve a society in the future that provides peace of mind and happiness to future generations. The first step in this journey toward VISION2030 is achieving the goals laid out in the current Medium-term Management Plan ending in 2023.

Recently, I am aware, through communication with shareholders and the investment community, of the need for a detailed roadmap plotting out how we intend to invest the proceeds gained from the increased competitiveness of our products and business as of late into future business growth. We absolutely must acquire electrification technologies along with

control technologies and software to respond to the environment. In-depth discussions are now underway internally on specific ideas regarding attractive product development that combines software and hardware into a single system solution.

In addition to our business, I feel that shareholders and investors are asking more questions pertaining to ESG and sustainability. The Aisan Group stands firmly committed to meeting various expectations from society through information disclosure following the recommendations of the TCFD, promotion of diversity and inclusion, management that respects human rights, disclosure of human capital, and management mindful of capital costs.



Environmental Management and Response to Climate Change

Environmental Management

Environmental Policy

The Aisan Group has established a new Environmental Action Policy targeting 2030 in order to fulfill its corporate social responsibilities aimed at building a sustainable recycling-oriented society by strengthening environmental management that balances the reduction of greenhouse gas emissions and the pursuit of profits. We will speed up our efforts to reduce CO<sub>2</sub> by evaluating the environmental impacts of products across their entire life cycle through a life cycle assessment (LCA) method.

Recognizing that climate change is one of the material issues facing management, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May

2022. We will now step up initiatives to address climate change based on a detailed understanding of the risks and opportunities that it presents for Aisan Industry's management. At the same time, we will disclose information following the recommendations of the TCFD.

Following our Environmental Action Policy and Environmental Management System (EMS), we are conducting activities tailored to each region, while sharing our environmental targets, issues and action policies among Group companies. We have also obtained ISO 14001 certification for our EMS at Aisan Industry and its overseas production bases.

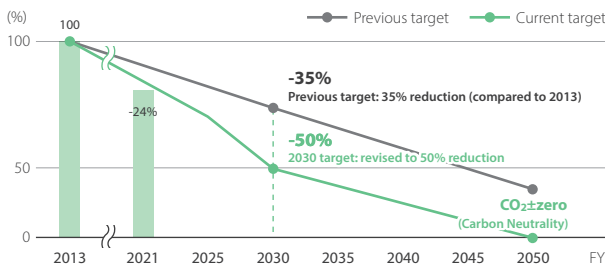
Environmental Action Policy

- 1. Aisan shall work to establish harmony with the regions and environments within which it is active, valuing dialog with local communities and respecting all laws and ordinances related to the environment, and shall contribute to a society that can co-exist with the nature.
- 2. Aisan shall establish objectives and targets for environmental conservation to improve environmental performance and shall maintain and manage them in keeping with an understanding that the need to minimize the environmental footprint of its business operations is one of its most important management challenges
- 3. Aisan shall work actively to conserve energy and resources and to reduce the use of environmentally hazardous substances in its products and manufacturing practices in order to prevent pollution and help bring about a sustainable, recycling-based society. To this end, the company shall maintain an accurate understanding of the environmental impact of its business operations, products, and services
- 4. Aisan shall encourage an increased awareness of the protection of the environment by ensuring that all employees have a thorough understanding of these policies, allowing them to become conscious of the environmental implications of their own actions and spurring them to take responsibility for improving the company's environmental record on an ongoing basis.

Six Pillars for the Environment

Activities that go beyond our own efforts and industry mechanisms are essential to contribute to the realization of a sustainable society. We have organized issues that we should address in order to reach carbon neutrality by reducing CO<sub>2</sub> emissions in the life cycle into six pillars. We are now implementing activities following a roadmap established by our in-house working group. Through these activities, we will not only lower greenhouse gas emissions from our own business operations (Scope 1 and 2), but also throughout the entire supply chain (Scope 3).

Scenarios for Achieving Carbon Neutrality



Six Pillars for the Environment

	2030 targets	Details of activities	Main initiatives	2021	2025	2030	Initiatives in FY2021
Reduction of CO <sub>2</sub> emissions from the production floor and at plants	Total company-wide CO <sub>2</sub> emissions: 50% reduction	• Visualize energy use • Reduce intensity of core products • Develop innovative technologies	• Thoroughly eliminating waste • Introducing high efficiency equipment and facilities • Developing production techniques using half the line energy		Elimination of waste Introduction of high efficiency equipment and facilities Introduction of model line Development of new methods		• Reduced use of gas in die casting holding furnaces • Conserved energy on the EGR machining line • Improved energy conservation using pulse air blow <a href="#">See page 25</a>
Reduction of life cycle CO <sub>2</sub> emissions of the supply chain	Business partner CO <sub>2</sub> emissions: 50% reduction (compared to 2019)	• Reduce CO <sub>2</sub> emissions from business partner plants (Scope 1 and 2) • Reduce CO <sub>2</sub> in logistics	• Conducting activities together with business partners • Identifying CO <sub>2</sub> emissions at plants and supporting improvements • Improving logistics and packing	Tier 1 suppliers Identification of issues	Tier 2 suppliers and below Support for business partners (CO <sub>2</sub> measurement and improvement activities) Support for business partners (logistics and packing)		• Conducted joint carbon neutrality activities with suppliers • Increased efficiency by consolidating procurement and logistics operations <a href="#">See page 25</a>
Development and utilization of clean energy	Convert 15% or more of CO <sub>2</sub> emissions to renewable energy	• Promote energy infrastructure strategy • Introduce and develop clean energy products	• Switching to high efficiency power facilities • Improving renewable energy facilities • Developing energy creation technology		Switching to high efficiency power facilities Improving renewable energy facilities		• Conducted initiatives for ammonia-fired power generation
Reduction of CO <sub>2</sub> emissions of principal raw materials	CO <sub>2</sub> emissions of principal raw materials: 50% reduction	• Promote recycling in processes • Switch to low CO <sub>2</sub> materials	• Recycling within processes • Switching to low CO <sub>2</sub> materials • Adopting recycled materials from markets • Reducing waste and recycling	Promoting runner recycling in processes	Switching to low CO <sub>2</sub> materials Reducing waste and recycling		• Switched to low CO <sub>2</sub> materials • Promoted resource recycling • Produced recyclable packaging • Effectively utilized waste in processes <a href="#">See page 25</a>
Co-existence with nature	CO <sub>2</sub> absorption from company greenery: 17% increase (compared to 2021)	• Promote activities for co-existence with nature • Improve daily work environment • Promote environmental CSR activities	• Improving the environment in the community • Establishing greenery at plants • Reducing CO <sub>2</sub> in business operations		Improving the environment in the community Establishing greenery at plants Reducing CO <sub>2</sub> in business operations		• Reduced waste from offices • Promoted activities for co-existence with nature (environmental learning, forestation, river clean-up, and removal of invasive species)
Technological development of diverse power sources, such as hydrogen and ammonia	See our business strategy on pages 17 and 18						

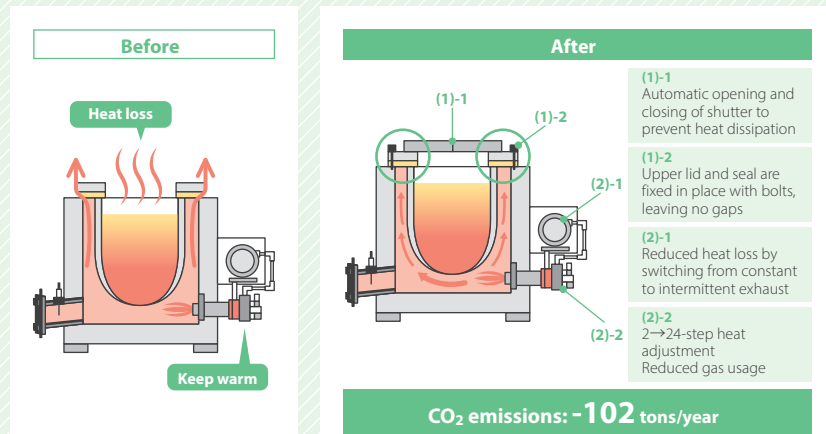


Environmental Management and Response to Climate Change

Examples of Initiatives

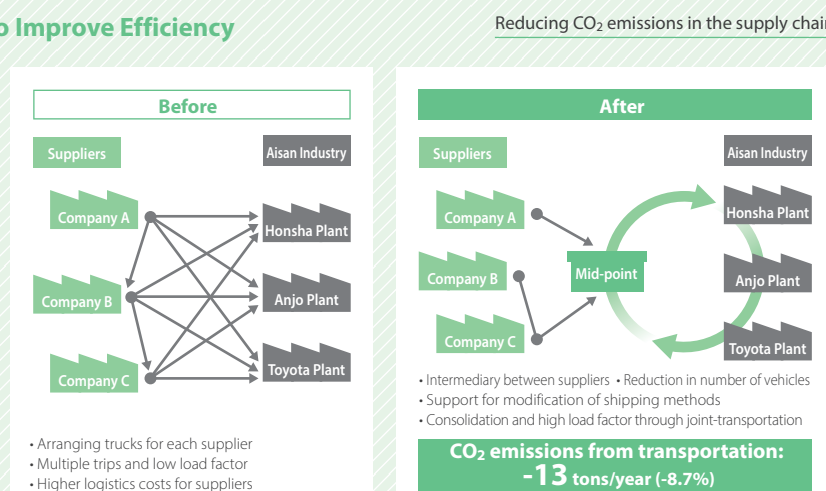
Reduced Use of Gas in Die Casting Holding Furnaces

In the die casting process, large amounts of gas were used for the burner to supply constant heat in order to maintain the temperature of the melting and holding furnace. We focused on keeping the furnace heat from escaping and eliminating the unevenness of temperature within the furnace, achieving an improvement in heat loss and enhanced combustion efficiency of the burner. Not only did we reduce the annual CO<sub>2</sub> emissions by 102 tons, but we also reduced the amount of LNG gas usage by 40% (compared to FY2017).



Consolidated Logistics Routes to Improve Efficiency

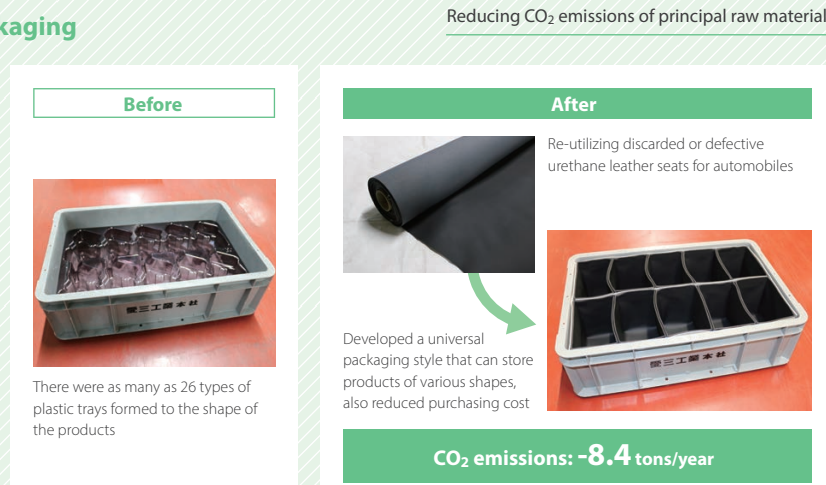
In the past, we arranged trucks for product transportation for each supplier. We faced difficulties in improving the load factor since we oversaw logistics for each company, which led to a decline in logistics efficiency for suppliers. With the collaboration of shipping companies, we set up a mid-point for transportation and consolidated our logistics routes. This resulted in a reduction of annual CO<sub>2</sub> emissions by 13 tons (8.7% reduction) as well as drastic improvements in truck load factor with joint delivery.



Sustainable and Recyclable Packaging

Conventionally, we used plastic trays for the packing of EGR valves. These trays had to be discarded when damaged or when there was a model change, as there were a total of 26 different types for each product. The processing was labor intensive and involved sorting, searching and confusion.

Therefore, we worked with Kyowa Leather Cloth Co., Ltd. to develop packaging materials by reusing defective urethane leather seats. By standardizing the packaging with one universal style, we have developed sustainable packaging that is easy to work with.



Response to Climate Change

Information Disclosure based on the TCFD Recommendations

At the Aisan Group, we recognize climate change as one of our most important management issues. In May 2022, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The Aisan Group will disclose appropriate information following the four pillars of the TCFD for information disclosure: governance, risk management, metrics and targets, and strategy. In

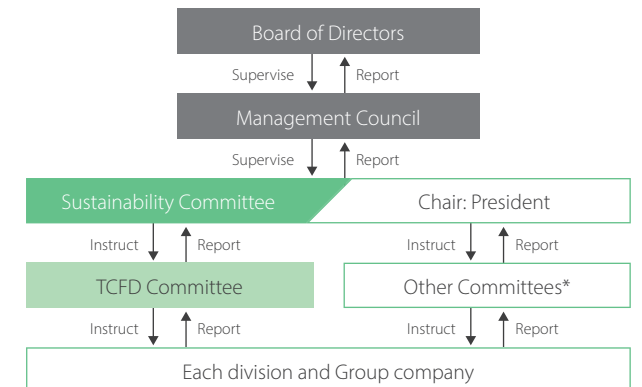
Governance

The Sustainability Committee, which is chaired by the President, verifies the direction and its appropriateness related to all issues concerning sustainability, including climate change. We put into place a subcommittee of the Sustainability Committee called the TCFD Committee (meetings held at least once every three months) to formulate and execute plans related to climate change issues, and conduct management as well as provide instructions as necessary to each department and Group company.

The Sustainability Committee convenes meetings twice a year to receive reports from the TCFD Committee and other committees and discuss their contents. Important results from these deliberations are then reported to the Board of Directors and the Management Council.

addition, to date, we have identified risks and opportunities that may affect the management, business and financial performance of Aisan Industry based on scenarios. Going forward, we will strive to expand information following the items for disclosure recommended by the TCFD, including evaluation of the impact on financial condition.

Organizational Chart



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

Society in the Scenario

In the 2-degree scenario, we anticipate more strict policies and legal regulations being implemented, including tougher greenhouse gas emissions regulations and the introduction of carbon taxes. For the automotive industry, including Aisan Industry, in addition to emissions during the manufacturing process, we expect to see further reduction of CO<sub>2</sub> emissions throughout the product life cycle, which spans the raw material stage to vehicle

operation and end-of-life disposal. Consequently, the market share of battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell vehicles (FCVs) are expected to rise.

At the same time, as global warming progresses, we anticipate that natural disasters will become more frequent and severe, resulting in supply chain disruptions and temporary suspensions of production.

Assumed Risks and Opportunities Associated with Climate Change

We have compiled the risks and opportunities for Aisan Industry given their importance to our stakeholders and to the Aisan Group based on our vision for society under such scenarios. Among these, we have listed the items of particular importance below.

Going forward, we will continue to define climate change related risks and opportunities, and assess the impact of these identified risks and opportunities on our financial performance.

Transition risk	Policy/Regulation	Greenhouse gas emissions regulations	• Cost increase due to enhanced policy to transition towards battery electric vehicles (BEVs)
		Introduction of carbon tax	• Increased production cost due to the implementation of carbon tax • Increased procurement costs due to passing on of carbon tax to prices
	Technology	Increased demand for low-carbon products	• Increased investment cost on new domains and future products business
	Market	Shift in customers' sense of value	• Decreased sales in engine parts due to the prevalence of battery electric vehicles (BEVs)
Physical risk	Acute	Frequent and severe natural disasters	• Temporary production halt due to disrupted supply chain
Opportunity	Resource efficiency	More efficient manufacturing process	• Reduced cost as a result of efficient manufacturing and energy saving
	Products and services	Expansion and development of low-carbon products	• Inroads into new businesses due to increased share of electric vehicles (BEVs/HEVs/PHEVs/FCVs) • Increased sales of hydrogen supply units following the expanded application of hydrogen energy

## Management Foundation Supporting Sustainable Growth

### Our Approach to Diversity and Inclusion

Aisan Industry promotes initiatives on diversity and inclusion to ensure its sustainable growth and establish a critical cornerstone toward creating new value for society. We formulated our Declaration on Diversity and Inclusion in April 2021, while the company's Diversity & Inclusion Promotion Section implements actions with an emphasis on fostering a corporate culture for diversity through transforming the awareness of management personnel during the first year of our reforms.

Moreover, we established a Diversity and Inclusion Policy in December 2021 and set a quantitative target for women's empowerment for fiscal 2030, which is positioned as a priority issue. We aim to appoint a minimum of 10 female managers by 2030 (3 as of 2021).

In the future, we will take a variety of measures based on this policy in promoting initiatives on diversity and inclusion.

### Initiatives to Address Issues

We have designated fiscal 2021 as a year for transforming awareness towards promoting diversity and conducted programs, including training and lectures for officers and managers, as well as newly established and expanded on the support systems for balancing work with childcare and family care. Starting in fiscal 2022, we will expand the scope of awareness transformation to include all employees. In addition, we will focus on efforts to support the career development of female employees, enhance the work environment for people with disabilities, and encourage male employees to utilize childcare leave.

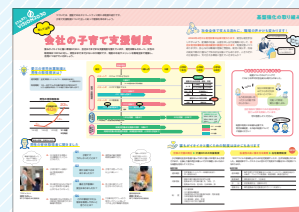
#### Diversity Management Training

We facilitated discussions on the practical aspects of developing an employee-friendly environment in the form of workshops. A total of 129 managers attended and indicated a positive attitude towards the introduction of diversity management.



#### Encouraging Male Employees to Take Childcare Leave

To encourage male employees to participate in childcare and take leave with peace of mind, we conducted activities to raise awareness of the benefits of taking childcare leave for male employees and how to talk to them in the workplace, including a message from the officer in charge.



Company Newsletter

### Roadmap for Diversity Promotion

Phase 0: Legal Compliance 2020	Phase 1: Awareness Transformation 2021	Phase 2: Behavior Transformation 2022-2025	Phase 3: Materialization 2026 and onward
Statutory Clearance	Systematic and organizational management		<b>Aim to become a leading company in diversity</b> <ul style="list-style-type: none"> <li>Active dialogue with stakeholders</li> <li>Promote Group-wide activities</li> </ul>
<ul style="list-style-type: none"> <li>Statutory employment rate under the regulation on employment of persons with disabilities</li> <li>Article 36 of Labor Standards Act</li> <li>Mandatory 5 days off per year</li> <li>Formulations and announcement of action plan for the Act on Promotion of Women's Participation and Advancement in the Workplace</li> </ul>	<b>Awareness transformation and cultural development</b> <ul style="list-style-type: none"> <li>Strengthen top commitment</li> <li>Establish a promotional structure</li> <li>Awareness transformation (management → managers → all employees)</li> </ul>		
	<b>Work-life balance support</b> <ul style="list-style-type: none"> <li>Support diverse work styles</li> <li>Revise personnel system, provide child/nursing care support, and support return to work</li> </ul>		
	<b>Human resource development and work style reform</b> <ul style="list-style-type: none"> <li>Support female career development</li> <li>Participation of persons with disabilities</li> <li>Active utilization of senior personnel (re-training)</li> <li>Revise and implement various systems</li> </ul>		
	<b>External evaluation</b> <ul style="list-style-type: none"> <li>Acquire Eruboshi and Kurumin* certifications</li> <li>Comply with governance code</li> </ul>		

\*Both Eruboshi and Kurumin certifications are awarded by Japan's Ministry of Health, Labour and Welfare to companies that meet certain standards. Eruboshi is awarded for active participation by woman and Kurumin is awarded for promoting balance between work and childcare by employees.

## Human Resource Management

### Approach to Human Resource Management

We value our human resources as important assets necessary for the sustainable growth of the company and enhancement of corporate value. In aiming to achieve our vision and Medium-term Management Plan, we will conduct optimal human resource management following the three important axes: 1) human resource transformation, 2) cultural reform, and 3) participation of diverse human resources. In addition, we will develop a workplace environment that maintains each individual's motivation and encourages their active participation. Moreover, we have positioned human resources, corporate culture and human rights as important issues and action themes within our Sustainability

### Three Important Axes of Human Resource Management



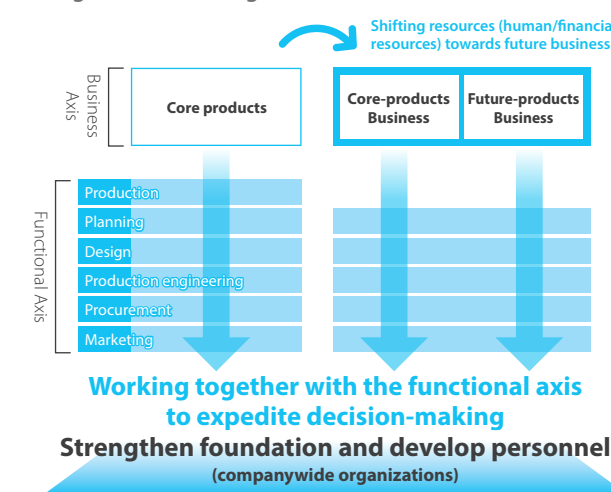
Fundamental Policy. In August 2022, we formulated the Human Rights Policy, based on which we will promote respect for human rights among Aisan Group employees and all business partners going forward.

### Efforts on Human Resource Transformation

#### Organizational structure

In January 2022, we revised our organizational structure in order to respond to the rapid changes in our business environment, including the accelerated shift towards carbon neutrality and electrification, and to achieve sustainable growth. Under the new structure, we have roughly divided our business axis into core products and future products, and will promote a shift of resources, including personnel, towards future businesses. As human resource development is considered an important foundation that supports our business, we will strengthen our efforts toward transforming work styles, including diversity and DX, to foster innovative human resources.

#### Image of the New Organization



### Personnel System

We have started implementing a new personnel system in stages since fiscal 2020 in order to appropriately evaluate and foster employees who will actively embrace challenges to achieve innovation. Following the reform in structure for executive and management personnel, we will proceed with the revision of evaluation items for general employees in shifting towards a personnel system that rewards hard work.

In response to the protracted COVID-19 pandemic, in fiscal 2021, we modified our personnel system to enable employees to flexibly choose a work style that prioritizes their health and the health of their families.

#### Main changes to the personnel system related to COVID-19

- Revised the number of days for employees who are close contacts (including suspected close contacts) to stay at home
- Extended leaves for reasons such as vaccination in response to the administration of the third vaccine dose
- Extended the eligibility period for special leave for parents in response to school closures



## Management Foundation Supporting Sustainable Growth

### Human Resource Development

As part of its initiatives to transform its human resources for the future, Aisan Industry is focusing on improving working environment and development of human resources willing to tackle challenges and take the lead in their own learning. Our initiatives span a wide range of activities, including enhancing programs for digital learning and self-improvement, promotion of workplace rotations, and the development of human resources in software for electrification and further strengthening manufacturing skills aimed at increasing the

competitiveness of the Core-products Business.

Our fundamental approach to human resource development involves developing people with the following three key traits:

1. human resources constantly on the lookout for problems with the ability to solve problems;
2. human resources who can play a role with the required skills of each position and workplace; and
3. human resources with creativity and dynamism.

#### Development of Human Resources in Monozukuri

We believe development of human resources is the cornerstone of growth in the manufacturing industry. As such, we conduct training programs comprehensively such as development of young technicians, preparation for national skills exams and internal skills exams.



Skills competition (mechanics and lathe)

#### Development of Human Resources in Software

With the transition from hardware to software becoming an urgent task for CASE and response to electrification, we launched a project to develop around 100 human resources in software over a three-year period in order to quickly expand software engineering teams in a short period of time. With the ideal software worker defined as someone who has the skill level to develop automotive systems independently, this project aims to combine existing technologies such as mechanical design and vehicle assessments with software technology to create new businesses.

## Initiatives to Reform Corporate Culture

### Our Approach to Corporate Culture

Fostering a culture where employees are motivated and passionate about their work during a time of transition for the company represents one important pillar of our human resource management. We are implementing a number of measures to foster a corporate culture where employees are proactive and take the lead in tackling new challenges with a view toward the future. In addition, we conduct employee satisfaction surveys on motivation and corporate culture. Going forward, we will establish indicators for job motivation as control items and reflect analysis results in measures for corporate culture reforms.

### Initiatives Involving Labor and Management

As part of our corporate culture reforms, we are focusing on management and labor relations. In fiscal 2021, we held several meetings of the Company-wide Labor-Management Council and organized a number of social mixers at the workplace level. This led to the establishment of common targets based on proactive discussions between labor and management on what actions should be taken to encourage the growth of individuals and the company on the theme of forming a corporate culture where people lead by example at work, incorporating the perspectives of psychological safety and total optimization from MMK activities (see page 20).

### Workplace Health Diagnosis Focused on Quality

Following the recent spate of quality scandals at Japanese companies, we have implemented Workplace Health Diagnosis on engineering, production engineering and production departments involving a risk survey on quality fraud within the company. This survey covered comprehension of quality rules, compliance awareness and workplace environment (easy to report to supervisors, etc.) considering the three elements of opportunity, incentive and rationalization that make up the fraud triangle. Although improvements were found to be necessary for some items, including minor workplace issues, the survey revealed that there are no issues that could lead to risk of quality fraud. We will now work to rectify troubles that were detected and going forward we will promote a workplace environment that complies with fundamental rules and where employees can speak up.

## Utilizing Our Diverse Workforce

### Promoting Diversity Management

The sustainable growth of Aisan Industry requires a workplace environment where each and every employee is free to utilize their uniqueness at work and where diversity is respected, including in terms of gender, age, nationality, disability, gender or sexual orientation (LGBTQ), values and work style. The company's Diversity & Inclusion Promotion Section spearheads our efforts to change employee mindsets, create a healthy workplace and fairly implement the personnel system and related mechanisms.

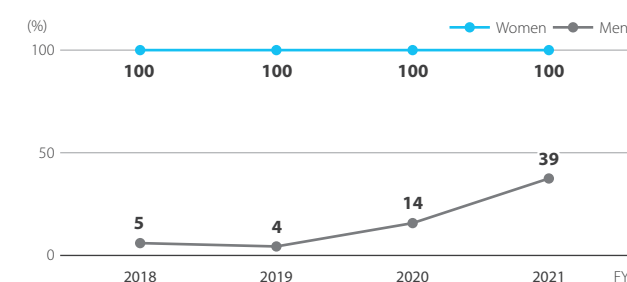
See page 27

### Empowering Women

We are implementing measures under our Diversity & Inclusion Promotion Plan in order to increase the engagement of female employees and provide more opportunities to play an active role in the workplace. In fiscal 2021, we expanded our programs for helping employees balance childcare or family care and work from home system, and we newly established a reemployment system for former employees (comeback system). In recruitment, we increased the ratio of women hired among university graduates by 13 percentage points compared to last year.

Additionally, we held briefings to share the key points of legal revisions and encourage workplace acceptance of men taking childcare leave, which is essential to supporting childcare. Moreover, we raised awareness among our entire workforce by sharing the voices of men who have previously taken childcare leave.

### Acquisition Rate of Childcare Leave

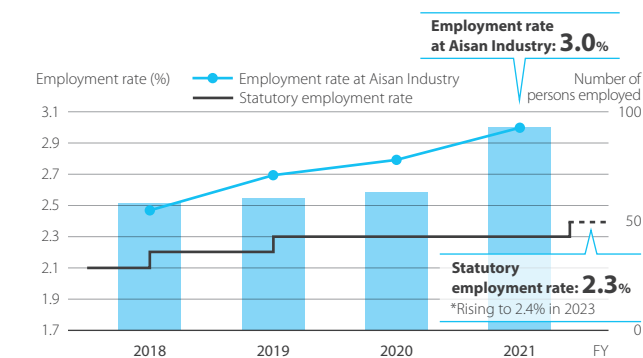


Aisan Industry has obtained Eruboshi Certification (2 Stars) for its initiatives that empower women in the workplace

### Providing Employment Opportunities to People with Disabilities

Aisan Industry is committed to providing a workplace where all people can join forces toward common goals, regardless of disability. We are now making improvements to our employment management system and working environment, including improving accessibility of facilities and equipment, so that employees with a disability feel a sense of motivation and passion at work and demonstrate their skills.

### Employment Rate of People with Disabilities



### Development of Globally-minded Human Resources

We formulated scenarios for developing globally-minded human resources in an effort to create a system where our overseas bases are capable of implementing measures independently. We are now working to expand locally hired employees who can lead our overseas bases as executive management.

Although group training in Japan has been delayed due to the COVID-19 pandemic, we innovated our approach tailored to the needs of each base, including offering training and sharing information remotely. We will review our scenarios going forward based on environmental changes to continue promoting the development of globally-minded human resources.

## Management Foundation Supporting Sustainable Growth

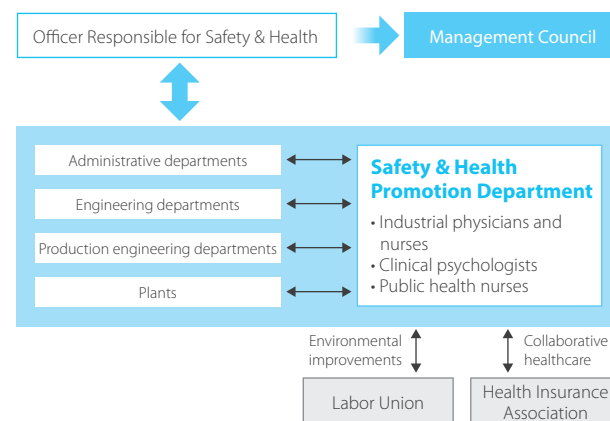
## Promoting Health and Productivity Management

## Our Approach to Health and Productivity Management

Aisan Industry believes that the mental and physical wellbeing of employees and their families is an important management resource and driving force behind corporate vitality which is critical to achieving sustainable growth. It is based on this belief that we established our Health Declaration in June 2018. Following this, the officer in charge has taken the lead in developing a promotion system for health and productivity management closely involving the company, labor union and health insurance association. Furthermore, positioning health as a core company policy, regular reports on our health activities are made to the Management Council.



## Promotion System



## Issues and Initiatives

To achieve our vision of becoming a company where employees play an active role while feeling motivated and passionate about their work, through health and productivity management, we identified health issues using a Health and Productivity Management Strategy Map and determined measures that we should implement. We are now using the plan-do-check-action (PDCA) cycle to verify outcomes and identify new issues.

To promote comprehension of health and productivity management, in May 2021 we provided a Health and Productivity Management Guidebook to all employees and conducted a health and productivity management comprehension survey. The opinions received are now being used to achieve even better health and productivity management.

Using the Health and Productivity Management Strategy Map, we identified management issues and measures required to resolve them. We defined the issue to resolve through health and productivity management as becoming a company where employees play an active role while always feeling motivated and passionate about their work to achieve the sustainable growth of the company. As the necessary outcomes to achieve this, we set reduce absenteeism (missing work due to health issues), reduce presenteeism (working while sick), and increase work engagement. We have put into place KPIs for achieving these three goals as well as identified issues to be addressed through specific initiatives.

## Issues Identified from Strategy Map

- Increase health literacy
- Increase the number of employees who regularly exercise
- Support smokers to quit
- Increase work engagement

## Activity Results and Future Issues

The number of employees who regularly exercise declined due to the advice to stay at home during the COVID-19 pandemic, which has increased the number of employees subject to specific health guidance. We will now step up efforts to help employees prevent lifestyle diseases through improved diets and regular exercise.

## Expanding Eligibility and Subsidies for Comprehensive Medical Checkups

In fiscal 2021, we expanded the eligible age groups for comprehensive medical checkups. Currently, all employees 35 years of age or older are eligible, compared to 40 years of age or older before the change. Additionally, we reviewed the fee burden balance between the health insurance association and employees, reducing employees' self-pay component. As a result, the uptake rate for comprehensive medical checkups among employees 40 years of age or older increased by around four percentage points.

Eligible Age Groups	FY2020	FY2021
35 to 39 years old	—	38.4%
40 years and older	62.3%	66.1%

## Supporting Employees to Give Up Smoking

We held an event to encourage employees to give up smoking following the ban on indoor smoking at all of our business locations. The second round of the event held in fiscal 2021 expanded the scope of participants to overseas bases and domestic Group companies. Upon completion of the event, 50% of the participants had quit smoking, with the remaining individuals reducing the amount they smoke.



For details, read our Health White Paper (PDF) on our corporate website (available in Japanese only)

## Health and Safety Initiatives

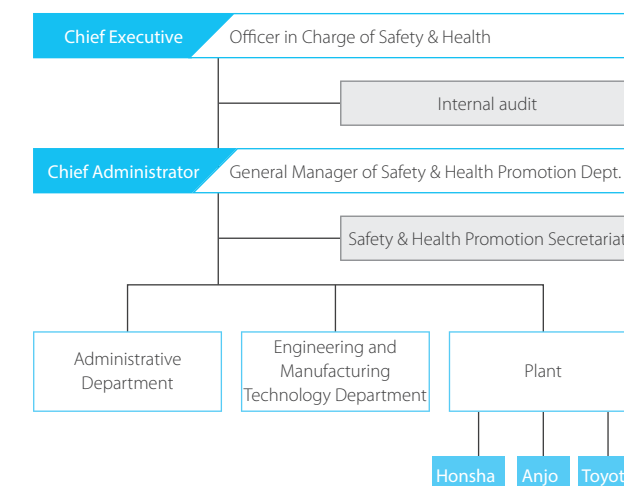
## Philosophy

Health and safety make up 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 Structure

We have established a management and promotion structure for occupational health and safety at all locations including overseas Group companies, while Group production sites in China, India and Korea have obtained OHSAS 18001 certification.

## Promotion Structure



## Acquisition of International Standards Certification

We acquired certification for our Occupational Health and Safety Management System (ISO 45001) with the goal of strengthening governance on occupational health and safety. The certification applies to the headquarters, Honsha Plant, Anjo Plant, Toyota Plant, and Hirose Technical Center. We are now seeking out continuous improvements.



Certificate of Registration

## Response to COVID-19

We have worked with the company-wide COVID-19 response headquarters in promoting infection control measures. Additionally, we established a rapid command structure in the event of confirmed cases or close contacts with COVID-19. We also offered workplace vaccination, as well as provided a venue for the City of Obu's vaccinations, to prevent the spread of infection in the community.

## Health and Safety Support for Group Companies

We are sharing information with the Aisan Group on our health and safety related initiatives, including Health Challenge, as well as disaster prevention and legal compliance.

## Improving Safety Awareness

We conduct activities to improve the safety awareness of employees and prevent pedestrian accidents. During National Safety Week (July), we encouraged employees to assess their own tendencies using KK Mapping, which visualizes one's risk tolerance and risk sensitivity. Also, during National Occupational Health Week (October), we hosted an event for testing physical fitness, during which participants became aware of their own strength and balance.








Event fully supported by the Track and Field Club. Receiving advice on the appropriate measurement position from athletes.



## Stakeholder Engagement

Aisan Group's business activities are supported by relationship with its diverse stakeholders.

	Basic Approach	Main Activities in FY2021
 <b>Shareholders and Investors</b>	<p>We engage in constructive dialogue while providing accurate information to our shareholders and investors fairly in order to establish long-term relationships of trust.</p> <p><a href="#">See the IR section of our website</a></p>	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Briefings for securities analysts and institutional investors</li> <li>Individual interviews with overseas institutional investors</li> <li>Information disclosure (corporate website, integrated reports, etc.)</li> </ul>
 <b>Customers</b>	<p>We create attractive products with our customer and quality as top priorities based on our Management Principles. Working towards VISION2030, we will contribute to customers' sustainable growth by providing carbon neutral, safe and secure automotive products that are excellent in quality at an affordable price.</p>	<ul style="list-style-type: none"> <li>Dissemination of company information (corporate website, exhibitions)</li> <li>Quality improvement activities</li> <li>Cost reduction activities</li> <li>Business continuity plan (BCP)</li> </ul>
 <b>Business Partners</b>	<p>With our Management Principles and Purchasing Policy, we strive to develop and grow with our suppliers through fair and equitable transactions while obeying laws. We promote responsible procurement activities based on the Green Procurement Policy, which takes legal compliance into consideration, including initiatives for the environment, human rights and conflict minerals.</p> <p><a href="#">See the Procurement section of our website</a></p>	<ul style="list-style-type: none"> <li>Sharing of purchasing policy (briefings, recognition of business partners)</li> <li>Quality improvement activities</li> <li>Cost reduction activities</li> <li>Supply chain risk management</li> <li>Conflict minerals survey</li> <li>Strengthening foundation (safety, quality, BCP, and environment)</li> </ul>
 <b>Employees</b>	<p>We value our human resources as important assets necessary for the sustainable growth of the company and enhancement of corporate value. With human capital as an important cornerstone within VISION2030, we will develop a work environment that enables each individual to maximize their potential as well as promoting diversity &amp; inclusion and work style reform in order to create new value.</p>	<div> <div> <b>Human Resources Reform</b> <ul style="list-style-type: none"> <li>Personnel system reform</li> <li>Personnel training</li> </ul> </div> <div> <b>Cultural Reform</b> <ul style="list-style-type: none"> <li>Employee satisfaction survey</li> <li>Sharing company policy through the labor-management meetings and workplace social mixers</li> </ul> </div> <div> <b>Active Participation of Diverse Human Resources</b> <ul style="list-style-type: none"> <li>Promotion of diversity and inclusion</li> <li>Promotion of women's active participation</li> <li>Promotion of employment of persons with disabilities</li> <li>Cultivating locally hired employees</li> </ul> <p><a href="#">See pages 27 to 30</a></p> </div> </div>
 <b>Local Communities</b>	<p>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 based on our Management Principles.</p>	<ul style="list-style-type: none"> <li>Community contribution (support for social welfare, fostering youth, and promotion of culture and sports)</li> <li>Participation and sponsorship of community events</li> <li>Volunteer activities conducted by employees</li> <li>Promotion of corporate sports</li> <li>Participation and cooperation with government-private joint projects (demonstration experiments, etc.)</li> </ul>

### Customers and Business Partners

### Global Contribution Award from Toyota Motor Corporation

We received the Global Contribution Award for the first time at the fiscal 2021 Suppliers Awards organized by Toyota Motor Corporation. This is the highest award given to suppliers who have achieved excellent results in the fields of quality, cost, supply, and who have made great contributions to Toyota Motor Corporation's worldwide production. Aisan Industry was recognized for its comprehensive quality activities with an emphasis on securing supplies and fostering human resources during the COVID-19 pandemic, along with MMK activities conducted across suppliers and overseas locations.



[See page 20](#)

Awarding Company	Awarded Company	Awards
Toyota Motor Corporation	Aisan (Japan)	Global Contribution Award, Quality Management Excellence Award, Cost Improvement Excellence Award, SSA Promotion Excellence Award (third consecutive year)
Toyota Motor East Japan, Inc.	Aisan	Quality Management Award
Hino Motors, Ltd.	Aisan	Quality Management Award Excellence Award (third consecutive year), Environmental Promotion Award
Mazda Motor Corporation	Aisan	Quality Results Excellence Award for five consecutive years
PT Toyota Motor Manufacturing Indonesia (TMMIN)	ANI (Indonesia)	Quality Excellence Award, Delivery Excellence Award, Voluntary Research Activity Award
Guangqi Toyota Engine Co., Ltd. (GTE)	AFA (Foshan, China)	Quality Excellence Award
GAC Toyota Motor Co., Ltd. (GTMC)	AFA (Foshan, China)	Cost Cooperation Award, Quality Cooperation Award
FAW Toyota Motor Co., Ltd. (FTMC)	AFA (Foshan, China)	Quality Excellence Award
FAW Toyota Motor Co., Ltd. (FTMC)	AFA (Foshan, China)	VA/VE Promotion Award

### Business Partners

### Sharing of Policy and Important Issues

In VISION2030, we aim to realize sustainable growth through achieving mutual improvement with suppliers, who are our partners. In order to share the Group's direction and priority issues, we conduct briefings on our Purchasing Policy to discuss our priority issues in safety, quality and the environment. To achieve carbon neutrality, it is critical that we involve the entire supply chain. As such, we are working closely with suppliers through sharing information via training, seminars, and exhibitions.



Briefings

### Local Communities

### For Prosperous and Livable Communities

Aisan Industry conducts a variety of local contribution activities globally. We are implementing initiatives in each area in aiming to become the best, most trusted local business.



Clean-up led by employees (headquarters)

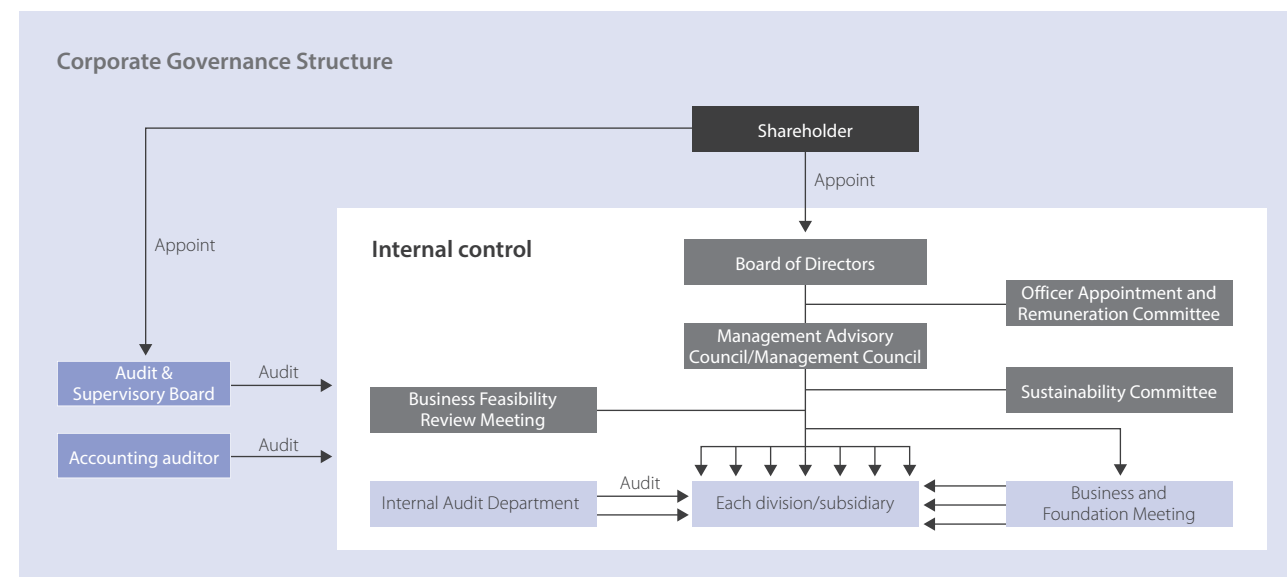


Donation of student desks to a nearby elementary school (India)

## Corporate Governance Structure

### Basic Approach

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, customers, business partners, 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 endorse the Corporate Governance Code established by the Tokyo Stock Exchange, and strive to maintain and improve management efficiency, fairness, and transparency based on the following basic policy.



### 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 tackles 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 FY2021

Meetings held	19 times
Attendance	Directors: 99% / Audit & Supervisory Board members: 99%

### Composition

	From June 2021	From June 2022
<b>Number of directors</b>	<b>6</b>	<b>8</b>
Of which, outsider directors	2	3
Of which, female directors	1	2
Of which, independent directors	2	3
<b>Number of Audit &amp; Supervisory Board members</b>	<b>5</b>	<b>5</b>
Of which, outsider Audit & Supervisory Board members	3	3
Of which, female Audit & Supervisory Board members	0	0
Of which, independent directors	1	1
<b>Number of executive officers</b>	<b>12<sup>*1</sup></b>	<b>12<sup>*2</sup></b>
Of which, female executive officers	0	0

<sup>\*1</sup> Four concurrently serving as director

<sup>\*2</sup> Five concurrently serving as director

### Evaluating the Effectiveness of the Board of Directors

At Aisan Industry, the Board of Directors Secretariat obtains feedback periodically from directors and Audit & Supervisory Board members based on their opinions and requests for the effectiveness of the Board of Directors, and it implements improvements as necessary. In fiscal 2021, we conducted a survey consisting of both score evaluation and comments section with a total of 12 questions concerning the composition of the Board of Directors, information sharing, operation of the Board of Directors, and discussions by the Board of Directors among directors and Audit & Supervisory Board members. In the score evaluation, all items met the pre-determined benchmark, which confirmed the effectiveness of the Board. The opinions received in the comments section of the survey are shown on the right. We will strive to consider improvements and further enhance the effectiveness of the Board of Directors with reference to these opinions.

Opinions and Requests	Future Response
<b>Business related reports and discussions</b> <ul style="list-style-type: none"> <li>Report on next-generation technology strategy, including electrification</li> <li>Report on business execution status</li> <li>Describe technical terminology in simple terms</li> </ul>	<b>Expand on discussions at the Board of Directors meeting</b> <ul style="list-style-type: none"> <li>Regular reporting on the progress of business policies and the status of business execution</li> <li>Regular reporting on information from the Sustainability Committee</li> </ul>
<b>Responding to governance</b> <ul style="list-style-type: none"> <li>Disclosure of non-financial information</li> </ul>	
<b>Communication between outside directors and the executive department</b> <ul style="list-style-type: none"> <li>Limited contact points between outside directors and the executive department</li> <li>Limited contact points between outside auditors and the Corporate Audit Section</li> </ul>	<b>Expand communication opportunities</b> <ul style="list-style-type: none"> <li>Outside directors to participate in reporting meetings by each department</li> <li>Increase opportunities for information sharing with the Corporate Audit Section</li> </ul>
<b>Effectiveness evaluation survey</b> <ul style="list-style-type: none"> <li>Expand on survey questions</li> <li>Effectiveness evaluation undertaken by a third-party outside institution</li> </ul>	<b>Improve on evaluation method</b> <ul style="list-style-type: none"> <li>Improve the survey questions</li> <li>Prepare for external evaluation based on corporate governance and Corporate Governance Code revision</li> </ul>

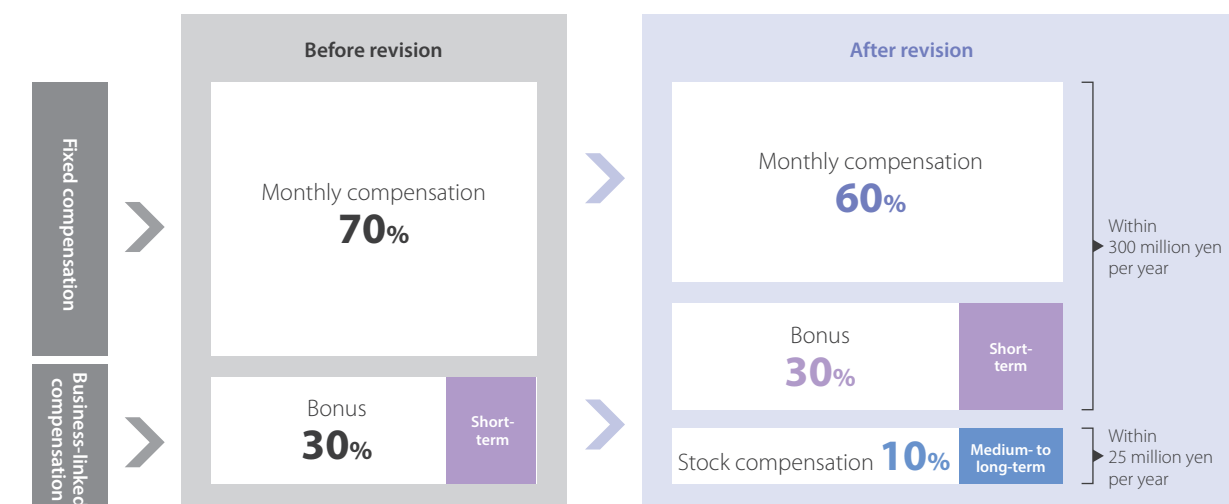
### Executive Compensation

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 based on individual appraisals. This performance indicator is chosen because it is appropriate as a metric of one's business performance and ability. As for stock compensation, the restricted-share compensation system for directors (excluding outside directors) came into effect based on the approval at the 119<sup>th</sup> General Meeting of Shareholders held on June 15, 2021, with the aim of further improving directors' shared value with shareholders and continued enhancement of our corporate value. 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.

### Compensation Structure for Directors



\*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, reports to the General Meeting of Shareholders and the Board of Directors.





Tokuhisu 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)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (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)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)



Shigekazu Kato  
Director

**Responsibilities:**  
Head of Administration and Cost;  
Responsible for IT & DX and  
BR (PMI Promotion Dept.)

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.  
January 2019      Executive Officer, the Company  
June 2020      Executive Officer, Member of the Board (to present)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)



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)

**Attendance at meetings of the Board of Directors**  
—

**Attendance at meetings of the Audit & Supervisory Board**  
—



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)

**Attendance at meetings of the Board of Directors**  
14 out of 14 (100%)

**Attendance at meetings of the Audit & Supervisory Board**  
10 out of 10 (100%)



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)

**Attendance at meetings of the Board of Directors**  
18 out of 19 (95%)

**Attendance at meetings of the Audit & Supervisory Board**  
12 out of 13 (92%)



Hironori Miyakoshi  
Director

**Responsibilities:**  
Head of Technical Management

Career summary and positions

April 1986      Joined Toyota Motor Corporation  
January 2018      Project General Manager, Powertrain Electronic Systems Development Div.  
January 2019      General Manager, Electronics & Material Technology Dept., the Company  
April 2019      Executive Officer  
June 2022      Executive Officer, Member of the Board (to present)

**Attendance at meetings of the Board of Directors**  
—



Masaki Kusano  
Director

**Responsibilities:**  
Head of IT & DX and Production

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)

**Attendance at meetings of the Board of Directors**  
—



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)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)



Mitsumasa Yamagata  
Outside Audit & Supervisory Board Member

Career summary and positions

April 1995      Joined Toyota Motor Corporation  
January 2018      Chief Engineer, Powertrain Product Planning Div.  
January 2019      Field General Manager, Product Planning/System Development Field, Powertrain Company  
June 2019      Audit & Supervisory Board Member, the Company (to present)  
January 2020      Senior General Manager, Powertrain Planning & System Development Field, Vehicle Development Center, Toyota Motor Corporation (to present)  
Executive Vice President, Powertrain Company  
January 2022      President, Powertrain Company (to present)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)

**Attendance at meetings of the Audit & Supervisory Board**  
13 out of 13 (100%)



Yoji Matsuyama  
Outside Audit & Supervisory Board Member

Career summary and positions

April 1992      Joined Toyota Motor Corporation  
April 2016      General Manager, Unit Parts Purchasing Div.  
July 2019      Deputy Chief Officer, Purchasing Group  
June 2020      Audit & Supervisory Board Member, the Company (to present)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)

**Attendance at meetings of the Audit & Supervisory Board**  
13 out of 13 (100%)

\*July 2022 Deputy Chief Officer, General Administration & Human Resources Group, Toyota Motor Corporation (to present)



Satoe Tsuge  
Outside Director

Career summary and positions

April 1990      Joined Tohmtsu & 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)

**Attendance at meetings of the Board of Directors**  
19 out of 19 (100%)



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)

**Attendance at meetings of the Board of Directors**  
—

The skills and experiences held by the Directors of the Company are as follows:

Name	Sales	Technology development	Manufacturing and purchasing	Overseas experience	ESG	DX	Finance and accounting	Human resources and labor	Reason for appointment
Tokuhisu Nomura		●		●	●				Mr. Nomura was engaged in the electronics technology field and served as Executive General Manager at Toyota Motor Corporation. He has served as a Director of the Company since 2017.
Toru Nakane	●				●	●			Mr. Nakane was engaged in the marketing & sales and corporate planning divisions at the Company. He has served as a Director of the Company since 2010.
Shigekazu Kato				●	●	●	●	●	Mr. Kato was engaged in the accounting and finance division at Toyota Motor Corporation, and he was involved in the management of an overseas company. He has served as an Executive Officer of the Company since 2019.
Hironori Miyakoshi		●		●	●				Mr. Miyakoshi was engaged in the electronic technology division at Toyota Motor Corporation. He has served as an Executive Officer of the Company since 2019.
Masaki Kusano			●	●	●	●			Mr. Kusano was engaged in the purchasing and production divisions at the Company, and he was involved in the management of an overseas company. He has served as an Executive Officer of the Company since 2022.
Yuichi Oi	●		●	●	●				Mr. Oi has extensive international experience and a wide range of knowledge cultivated through his career at a general trading company.
Satoe Tsuge					●		●	●	Ms. Tsuge has expertise in finance and accounting as a certified public accountant and financial planner.
Yurie Iribe		●			●	●			Ms. Iribe has held various positions, such as associate professor at a university, providing her with specialist knowledge, mainly in information science.

## Messages from Outside Directors

Yuichi Oi  
Outside Director  
Appointed June 2020

Satoe Tsuge  
Outside Director  
Appointed June 2015

## We will contribute to the future the Aisan Group aspires for using our objective perspectives as an outside stakeholder

### Expected Roles of an Outside Director

**Tsuge:** I established my own practice after working at a major auditing corporation, and today, I'm involved in various activities as a CPA and tax accountant while continuing to pursue auditing work. Based on this experience, I recognize that the Company requires supervision of management with an objective perspective as part of its efforts to achieve sustainable growth and enhance corporate value over the medium term. Furthermore, I believe that the Company expects me to play an active role in promoting women's empowerment as the Company's first female director. In addition to attending Board of Directors meetings, I am working with the Diversity & Inclusion Promotion Section on initiatives to deepen understanding of diversity and inclusion among executive leadership and employees. Compared to when I was first appointed as a director, I feel that much progress has been made in initiatives and changing the way everyone thinks. The fact that Aisan Industry obtained Eruboshi certification (two stars) in July 2022 demonstrates that these initiatives have been recognized externally, which is very pleasing.

**Oi:** Previously, I spent more than four decades working at a general trading company where I was involved for many years in the development of a logistics infrastructure required for the company's globalization.

There are two areas I focus on in my role as an outside director. First is speaking up using my previous career experience in an industry different from the Company. Second is to firmly voice my objection whenever I perceive conjecture or collusion on the part of management. I feel that the spirit of dedication to creating high-quality products is deeply embedded in the

Company's employees. However, quickly responding to changes in the external operating environment remains an issue. Additionally, with regard to agenda items of the Board of Directors, there are times where I am skeptical that sufficient discussions have taken place at meeting bodies prior to submission to the Board of Directors. Whenever I feel this way, I speak up from the perspective of an outside stakeholder. In June 2022, the Company appointed a new outside director with a career background in a different industry. I'm very excited about this new development.

**Tsuge:** I believe that the reason why I was appointed as an outside director rather than a tax advisor is because the Company expected me, as an accounting specialist, to provide objective views from the perspective of a third-party or shareholder. As such, I speak up at meetings, telling myself that the ability to have my own views without reading the room is important.

### Increasing the Effectiveness of the Board of Directors

**Tsuge:** I have shared a number of views and proposals on how the Board of Directors is run. I have been impressed by how quickly the Company responds to these views and proposals. I was shocked to see that internal directors had a much stricter view on the board effectiveness evaluation survey.

**Oi:** Board meetings are conducive to free and open-minded discussions. There are no hurdles to sharing the perspectives of a different industry or a third party. The Board of Directors is more than willing to listen.

**Tsuge:** However, when speaking up at Board meetings, I feel discussions tend to be limited because questions are quickly



answered without thorough discussions. I feel there is a need for more active discussions on business strategy and other matters. This could take place at meeting bodies other than the Board of Directors. **Oi:** Certainly, discussions need to be active. For example, I believe providing more in-depth pre-briefings ahead of Board meetings can help to improve the quality of discussions. As an outside director, I have a strong desire to make Aisan Industry an even better company and provide constructive advice. Although we receive relevant materials ahead of meetings, I would appreciate easy-to-understand explanations of industry and company jargon and so on in advance to help me accomplish this.

### Achieving Aisan Group's Vision for the Future

#### VISION2030 and Medium-term Management Plan

**Tsuge:** I am really impressed that the key message and goals laid out in VISION2030 focus on contributing not only to the automobile industry, but also society as a whole. I can feel the strong determination of the Aisan Group to move away from its conventional image and transform into something new in the future.

**Oi:** As of today, however, the Company's mainstay products continue to be parts for internal combustion engine (ICE) vehicles. Now is the time for Aisan Industry to dramatically transform its business portfolio. A considerable amount of effort and a quicker pace are needed in order to achieve this vision by 2030. Addressing the demand for electrification will require thinking that is outside of the box rather than a continuation of the status quo. I believe that executive leadership and employees will need to come together to deepen discussions on these matters.

**Tsuge:** I agree. Improvement in earnings power despite the challenging operating environment presented by the COVID-19 pandemic is showing in the numbers, as the Company was able to achieve its targets for the first stage of the Medium-term Management Plan (MTMP). The challenge will be how fast the Company can develop and commercialize new product businesses for the future. The key to this will be diversity and inclusion. Aisan Industry will need to incorporate new thinking by stepping up recruitment of not only women, but also foreign nationals and talent from different industries, and by collaborating with other fields.

**Oi:** There are barriers standing in the way of such new initiatives, and people, when facing difficulties, tend to focus only on what they are good at or capable of. The Company needs to achieve the targets of the current MTMP with a strong conviction to achieve VISION2030 free of such tendencies and move ahead with compiling the next MTMP as a further evolved version.

**Tsuge:** Aisan Industry has a number of strengths cultivated throughout its long history, including its stance toward and knowledge of manufacturing. Today, with the major changes taking place around us, the Company needs to take a proactive

approach to tackle new challenges while maintaining its commitment to high quality. I would like to see the Company develop its business by adeptly combining both defensive and proactive approaches.

#### Sustainability Management

**Oi:** Based on changes taking place in society, the Company is working on formulating a Sustainability Fundamental Policy based on its previous CSR Fundamental Policy. The fact that the Company is incorporating long-term perspectives into its management strategy is a positive point.

**Tsuge:** Human rights, which is garnering attention as a theme of sustainability management, is another issue that should be addressed. The Company is now in the process of formulating a policy and plan. I have also been communicating to the Company about the situation of other companies and future direction with regard to environmental compliance, especially the TCFD. After much discussion, the Company officially endorsed the recommendations of the TCFD in May 2022. The Company will now need to work on identifying and understanding the financial impacts of climate change.

**Oi:** Aisan Industry has made some progress with understanding CO<sub>2</sub> emissions data within the Group and undertaking reduction efforts. It has now come to the stage of planning and executing similar reduction efforts involving the entire supply chain. The Company will need to disclose its progress to stakeholders when the time is right.

### Information Dissemination that Further Deepens Mutual Understanding

**Tsuge:** Aisan Industry is working hard on each and every issue. However, I feel that there are still issues in sharing information with stakeholders. I hope that the Company will enhance its information sharing so that stakeholders can gain a deeper understanding of its approaches and future potential. The future of the Aisan Group will be created by employees. I would like to see employees understand VISION2030 and tackle new challenges by adapting to the social environment while also changing themselves.

**Oi:** Within this information sharing, expanded IR activities will reassure not only shareholders but all stakeholders and lead to trust in the Company. This is an area I would like to see the Company focus on in the future. From my perspective, having worked for a general trading company, I feel that employees have developed tenacity in manufacturing through their diligent efforts. In this manner, the Aisan Group is made up of employees who are very committed to their work and proactive. By adding other diverse talent to this workforce in terms of nationality, age, gender and values, I believe the Aisan Group will be able to harness new strengths.





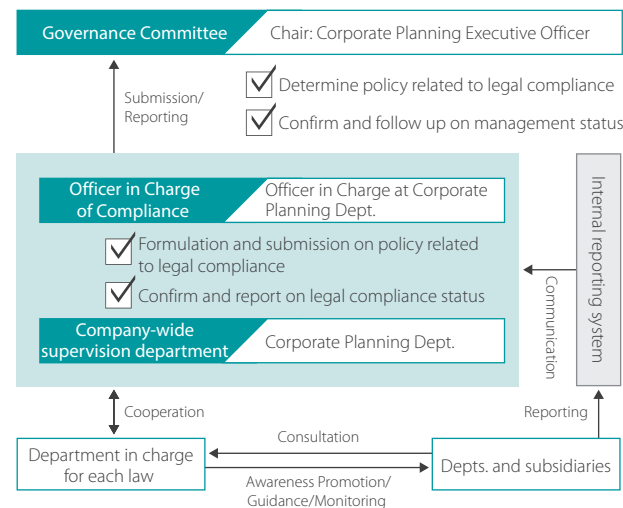
# Compliance

## Basic Approach

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 aimed at improving awareness towards compliance among employees.

### Promotion Structure



### 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.

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

### Education and Awareness

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.

Our key initiative focuses on harassment prevention. In addition to an anti-harassment handbook created for officers and management, we also developed and distributed a handbook for regular employees in an effort to establish a pleasant workplace.

### Compliance Inspections

Every year, each department conducts a self-inspection on compliance based on the latest checklist compiled from the most up-to-date laws and regulations relevant to our business. This aims to highlight issues while we strive to make improvements as necessary.

### Internal Reporting System

To mitigate, prevent and promptly resolve situations that violate the spirit of the Aisan Group Action Agenda, we have launched operations of a helpline for employees and their families to seek consultation and file reports. The helpline system caters to different types of consultations, including a consultation desk for workplace harassment, global helpline for overseas Group companies, and consultation desk for suppliers. To ensure the whistleblower is protected in any of these situations, we have developed a structure based on the Whistleblower Protection System revised in June 2022.

# Risk Management

## Addressing Risks

Established in April 2022, the Sustainability Committee is in charge of comprehensive risk management from climate change to risks that can have a major impact on business continuity. The committee identifies priority risks based on the identification, analysis and evaluation of risks reported by each committee,\* while the department in charge takes the lead in implementing risk reduction measures.

\*Committees on TCFD, Carbon Neutrality, Health and Safety, Work Style Reform, BCP, and Governance

### Main Initiatives to Address Important Risks

Risk	Approach and responses
Climate change	<p>See page 26 and our corporate website for information disclosure based on the TCFD's recommendations.</p> <p><b>Examples of efforts</b></p> <ul style="list-style-type: none"> <li>Develop next-generation elite products that contribute to CO<sub>2</sub> reduction</li> <li>Accelerate electrification development to achieve carbon neutrality</li> </ul>
Natural disasters	<p>Aisan Industry has formulated a Business Continuity Plan (BCP), which stipulates everyday activities and emergency response, in preparation for various natural disasters, including major earthquakes, to minimize damages and achieve early business recovery. Our BCP is based on the fundamental principles of taking action in all situations following the priorities: 1. saving human life, 2. regional recovery, and 3. production recovery.</p> <p><b>Examples of efforts</b></p> <ul style="list-style-type: none"> <li>Identify "production and delivery of products for priority vehicle models" as a critical task that takes priority in the event of a major disaster with comprehensive consideration for human life, impact on customers and social responsibility</li> <li>Incorporate the concept of the Life Continuity Plan (LCP), which states that ensuring the safety of employees and their families is a prerequisite for early recovery, and raise awareness among employees for disaster prevention and reduction starting at home</li> </ul> <p><b>Promotion Structure</b></p>
Supply chain	<p>In the automotive industry, which has a wide range of supporting businesses, even a slowdown or disruption in the supply of just one part within the supply chain could have a significant impact on global automobile production. We have identified the following management items for reducing procurement risks and initial response to contingencies, and are working to maintain a stable supply system on a global basis.</p> <p><b>Examples of efforts</b></p> <ul style="list-style-type: none"> <li>Natural disaster BCP: verify business partners' disaster prevention organization/system, fire prevention measures taken, and disaster reduction capabilities such as earthquake resistance of plant buildings</li> <li>Alternative production risk: confirm risk reduction status of products made at one site per company</li> <li>Supply chain risk: identify business partners involved in case of contingency by company and product number</li> <li>Inventory management of electronic parts: confirm consistency with our standard inventory</li> <li>Risk assessment of bankruptcies, strikes, etc.: understand the financial status of business partners</li> </ul>
Information security	<p>With regard to information security, we believe that the information assets owned by the Company are the foundation and property of the Company. We are taking various security enhancement measures including raising employee awareness and introducing defense and monitoring systems.</p> <p><b>Examples of efforts</b></p> <ul style="list-style-type: none"> <li>Conduct e-learning and training on targeted e-mail attacks to improve security literacy among employees</li> <li>Conduct preventive measures against virus intrusion/infection and information leakage, such as enhancing network monitoring system by launching a security operations center (SOC), and mitigating vulnerabilities on servers and client computers</li> <li>Identify risks by taking inventory of information equipment, and prevent intrusion and infection in IoT networks for plant security</li> </ul> <p><b>Promotion Structure</b></p> <p>*SIRT: Security Incident Response Team</p>

(Unit: millions of yen)

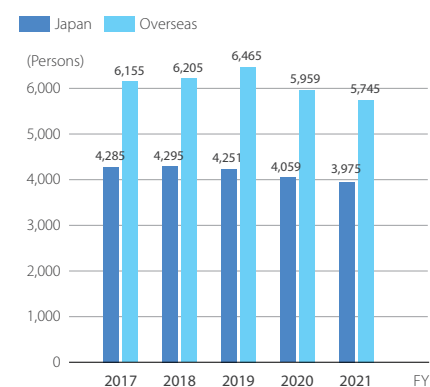
## Financial Data (Consolidated)

(FY)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net sales	193,751	181,427	205,489	213,494	212,524	203,769	215,360	212,676	192,944	170,298	149,892
Japan	70,445	74,099	82,991	82,080	83,173	81,635	90,136	101,375	95,093	98,475	92,692
Asia	86,540	74,504	81,104	82,391	79,156	73,181	72,306	63,998	56,401	42,004	33,976
Americas	25,367	22,728	28,240	33,652	34,766	35,657	39,113	34,092	30,383	22,623	16,376
Europe	11,398	10,094	13,153	15,370	15,428	13,294	13,805	13,210	11,064	7,194	6,847
Gross profit	24,927	20,462	24,365	25,588	25,974	23,996	26,960	28,258	27,081	23,046	18,229
Operating profit	9,809	4,956	7,226	8,227	9,421	8,159	9,854	10,796	9,475	7,986	5,477
Ordinary profit	10,255	4,986	6,866	8,181	9,770	7,407	9,349	11,322	9,915	8,177	4,887
Profit attributable to owners of parent*1	6,831	3,525	-5,073	6,124	4,526	4,505	6,208	6,755	5,562	-783	1,811
Capital investment	9,449	9,711	19,323	16,523	12,022	12,738	15,884	13,280	13,006	10,113	9,285
Depreciation	10,174	11,011	12,554	11,033	10,773	10,700	11,172	10,140	9,412	8,258	8,514
R&D Expenditure	10,494	9,815	10,845	11,302	11,196	10,922	10,854	10,336	9,660	8,482	7,375
Cash flows from operating activities	13,544	17,761	14,678	11,421	13,767	14,395	24,132	13,772	6,993	12,779	6,271
Cash flows from investing activities	-6,955	-6,785	-16,591	-18,429	-11,145	-16,431	-13,441	-18,035	-11,709	-11,705	-8,391
Free cash flow	6,589	10,976	-1,913	-7,008	2,622	-2,036	10,691	-4,263	-4,716	1,074	-2,120
Cash flows from financing activities	-4,128	-1,176	1,704	-435	11,779	-3,510	-1,585	3,822	1,888	238	2,812
Cash and cash equivalents at end of period	48,750	44,369	34,674	35,263	43,537	28,680	34,819	25,572	24,810	26,100	23,802
Cash on hand	50,086	46,329	36,204	36,635	44,928	30,093	35,113	26,166	25,181	26,304	23,952
Interest-bearing debt	32,102	43,551	43,085	39,053	37,580	23,751	25,622	25,523	24,931	21,000	19,082
Equity	96,944	84,206	79,114	87,777	87,643	81,472	81,324	84,880	67,772	58,894	56,827
Total assets	201,936	189,918	186,362	192,500	196,650	178,914	184,156	185,422	160,898	148,803	137,406
Operating profit to net sales ratio (%)	5.1	2.7	3.5	3.9	4.4	4.0	4.6	5.1	4.9	4.7	3.7
Rate of return on equity (ROE) (%)	7.5	4.3	-6.1	7.0	5.4	5.5	7.5	8.9	8.8	-1.4	3.2
Shareholders' equity ratio (%)	48.0	44.3	42.5	45.6	44.6	45.5	44.2	45.8	42.1	39.6	41.4
Basic earnings per share	108.40	55.97	-80.55	97.26	72.11	71.88	99.24	112.19	99.81	-14.12	32.64
Dividends (Yen)	29.00	18.00	20.00	27.00	29.00	25.00	33.00	29.00	23.00	14.00	14.00
Payout ratio (%)	26.8	32.2	-	27.8	95.3	34.8	33.3	25.8	23.0	-	42.9

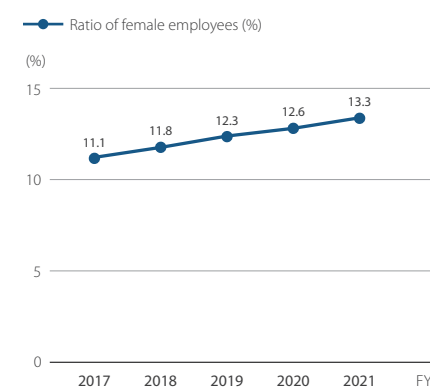
\*1 Presented as "net income" until fiscal 2014

## Non-Financial Data

## Number Employees



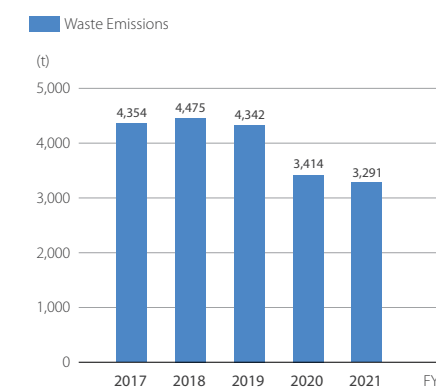
## Ratio of Female Employees (Aisan Industry)



## Number of Patents Owned



## Waste Emissions



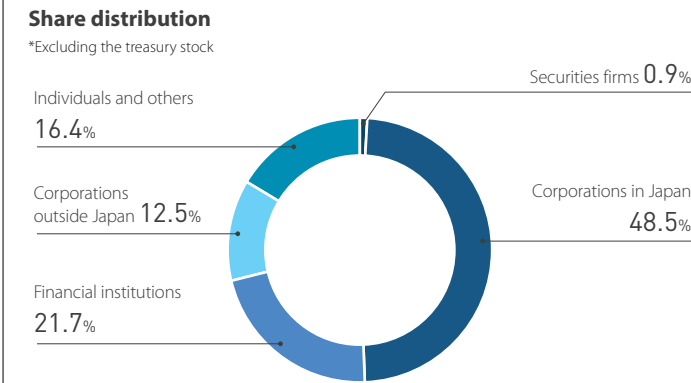


Company Profile (as of March 31, 2022)

Company name	Aisan Industry Co., Ltd.
Headquarters	1-1-1 Kyowa-cho, Obu, Aichi 474-8588 Japan
Date of establishment	December 1938
Representative	Tokuhisa Nomura
Capital	10,708 million yen
Business outline	Manufacturing and sales of automotive parts
Number of employees	Consolidated: 9,720 Non-consolidated: 3,148 <small>*Temporary employees included</small>
Affiliates	28 Group companies (22 overseas, 6 in Japan)
Fiscal year end	March
Credit rating	A- (Japan Credit Rating Agency)

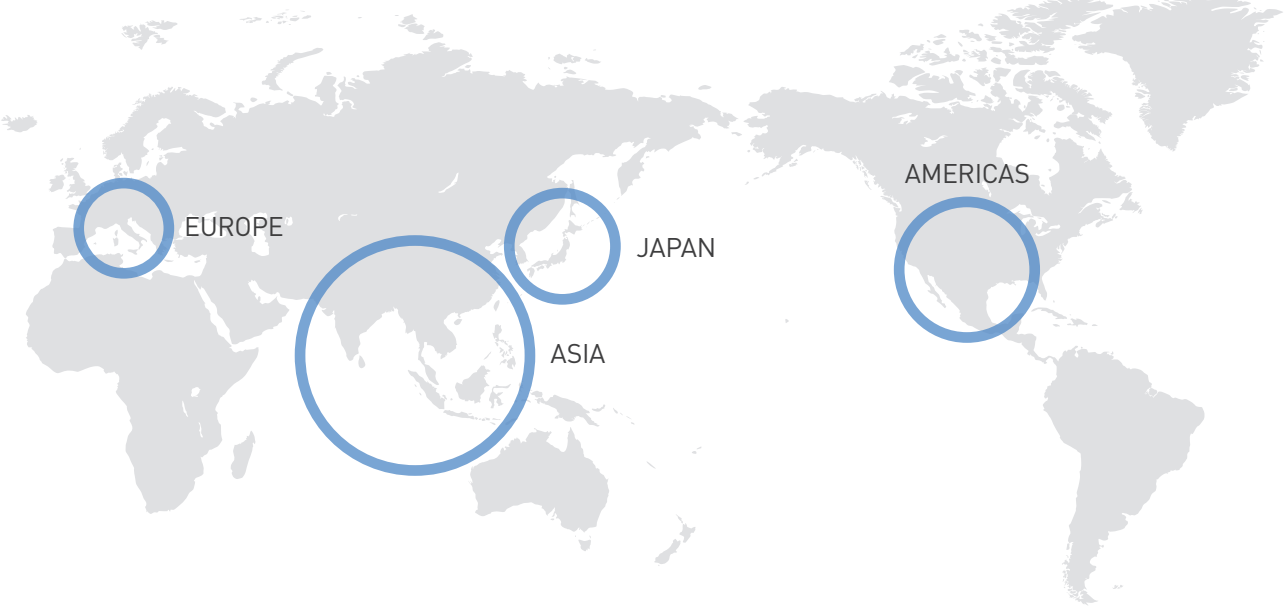
Stock Information (as of March 31, 2022)

Stock	Total number of shares authorized: 190,000,000 Total number of shares issued: 62,966,471 <small>*Excluding the treasury stock</small> Share unit number: 100
Listed stock exchanges	Tokyo Stock Exchange: 1st Section*1 Nagoya Stock Exchange: 1st Section*2 Stock code: 7283
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Accounting auditor	Deloitte Touche Tohmatsu LLC
Principle shareholders	Toyota Motor Corporation DENSO Corporation Toyota Industries Corporation



\*1 Transitioned to Prime Market as of April 4, 2022 following market reorganization  
\*2 Transitioned to Premier Market as of April 4, 2022 following market reorganization

Global Network (as of March 31, 2022)



Domestic Locations



Headquarters



Honsha Plant



Anjo Plant



Toyota Plant



Hirose Technical Center

East Japan Branch Office  
Hamamatsu Branch Office  
West Japan Branch Office (Osaka)  
West Japan Branch Office (Hiroshima)

Subsidiaries (domestic)

- TK Carburettor Co., Ltd.
- Aikyo Sangyo Co., Ltd.
- Aisan Computer Services Corp.
- Nichialloy Co., Ltd.\*1
- Aisan Kumamoto Co., Ltd.
- Miyama Seiko Co., Ltd. (Affiliate)

\*1 Changed name from Nippon Choko Co., Ltd. as of January 1, 2022.

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
- TK Carburettor (Ningbo) Co., Ltd. / China
- Hyundam (Zhangjiagang) Automobile Parts Co., Ltd. / China
- P.T. Aisan Nasmoco Industri / Indonesia
- Aisan Corporation Asia Pacific Limited / Thailand
- Aisan Auto Parts India Pvt. Ltd. / India
- IHD Industries Pvt. Ltd. / India
- Aisan Sales India Pvt. Ltd. / India
- Aisan Fiem Automotives India Pvt. Ltd.\*2 / India

Americas

- Franklin Precision Industry, Inc. / 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

\*2 Changed name to Aisan Industry India Pvt. Ltd. as of June 24, 2022.

## Aisan Industry Co., Ltd.

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Sustainability Management Promotion Section  
Corporate Planning Department  
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Visit our corporate website for more information  
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