

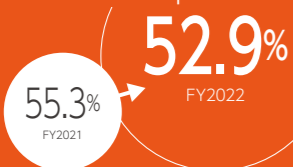


Capital to create value

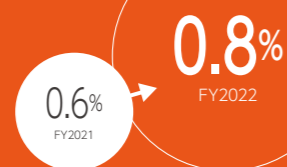
## Financial Capital

Aichi Steel believes that it is important to grow sustainably and continue to provide value to its stakeholders in any business environment. This is why we aim to balance investment in growth with shareholder returns by maintaining and improving stability, profitability, and efficiency while ensuring a solid financial foundation by procuring optimal financing as required based on operating cash flow.

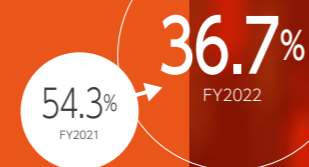
Ratio of equity attributable to owners of the parent



ROE



Consolidated payout ratio



## Maintenance of Financial Health

Using ratio attributable to owners of the parent, debt-equity ratio, and other indicators, Aichi Steel maintains appropriate levels for future sustainable business operations, for which it has received an "A" rating from Japan Credit Rating Agency, Ltd. While maintaining our financial health, we will continue to target improved profitability and steady growth through optimal distribution of resources, including research and development and capital investment for sustainable growth.

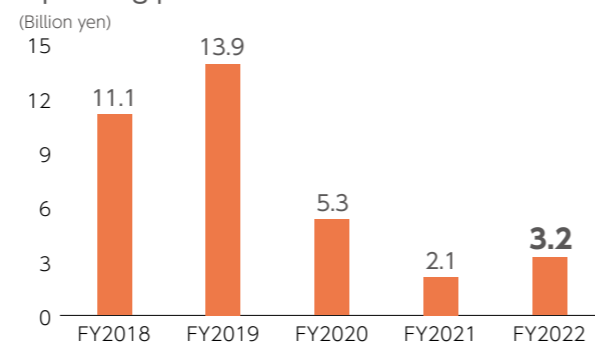
**"A" rating**

Japan Credit Rating Agency (JCR)

## Profitability Improvement Initiatives

In fiscal 2022, Aichi Steel's operating profit increased year-on-year due to the spread of selling price hikes and increased profits at subsidiaries, despite the major factor of decreased profits due to the decline in sales volume (-14% year-on-year). In the past few years, we have been facing a very difficult business environment due to sharp fluctuations in demand and also soaring and high remaining prices of raw materials and secondary materials. However, we are striving to improve profitability by building production systems that are resistant to fluctuations, reflecting increased costs in selling prices in a timely manner, and thoroughly reducing costs.

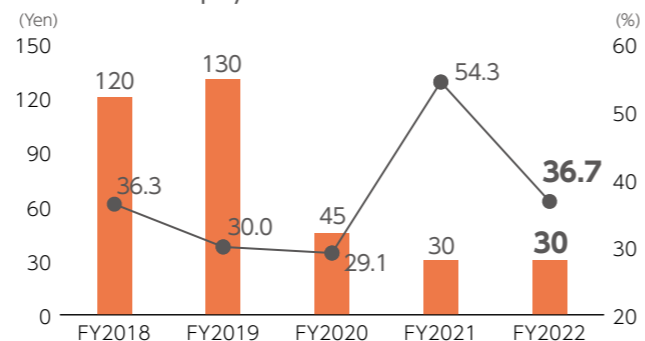
### Operating profit



## Shareholder Returns

Aichi Steel considers respect for shareholder profits to be an important management policy. To this end, we strive to achieve long-term, stable shareholder returns. We aim to deliver a consolidated payout ratio of 30% for dividends, which we decided in consideration of our business performance and financial situation while maintaining the internal reserves required for sustainable growth. We distributed 30 yen per share as our full-year dividend for the fiscal year ended March 31, 2023.

### Dividend and payout ratio



## Implement Management that is Conscious of Cost of Capital and Stock Price

Aichi Steel's price to book ratio (PBR) was below 1x as of March 31, 2023. We therefore recognize that we are under harsh evaluation in the stock market. Going forward, we will strive to increase our corporate value even more than before, with the goal of achieving a PBR of over 1x.

### I Strengthening of the earnings structure

Aichi Steel's return on capital is significantly lower than its cost of capital. The main reason for this is weak net profit, and we believe that improving profitability is an urgent priority. We are working to improve operating profit through ambidextrous management, including "Sales, Production, and Purchasing structural reform through Genryou Management (managing with limited order quantities) in existing businesses, such as specialty steel and forged products, and sales expansion in stainless steel and Smart company growth businesses.

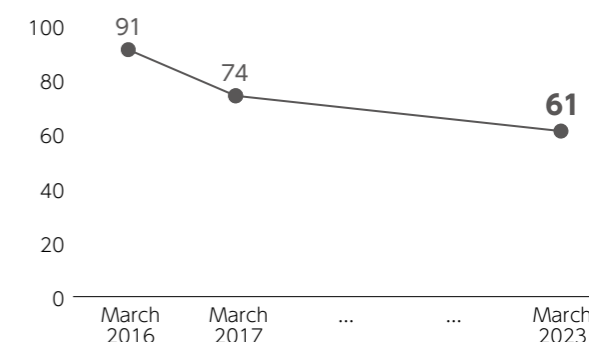
### ROE



### I Streamlining of assets

Aichi Steel is working to streamline its assets by optimizing inventory, carefully selecting capital investments, selling cross shareholdings, and other measures. In particular, we have been reducing our cross shareholdings, however, going forward, we will consider the option of going one step further, and will sell any stock that is deemed to be unreasonable to hold, after comprehensively considering the impact on the market and the financial strategy of the issuer. The cash generated from these sales will be effectively utilized as a source of sustainable growth to enhance corporate value.

### Cross shareholdings (number of shares)



### I Improvement of capital efficiency

In addition to strengthening its earnings structure and streamlining its assets, Aichi Steel will improve the capital efficiency by considering self-owned capital reduction through changes in its dividend policy and share buybacks, while maintaining its financial health.

### PBR



## Status of Dialogue with Shareholders and Investors

Aichi Steel believes that highly transparent information disclosure and constructive dialogue with shareholders and investors are important for sustainable growth and medium- to long-term improvement of corporate value, and is actively engaged in such activities. In addition to regular briefings for institutional investors by directors and managing executive officers, in principle, we respond to all requests for dialogue from individual shareholders and investors, which are usually attended by the accounting officer. The themes of the most recent dialogue with them were related to current business performance and centered on the environment surrounding the company, measures to deal with it, and the progress being made. To enhance information disclosure to support constructive dialogue, we are making efforts to disseminate information in a timely and appropriate manner through the Integrated Report and the website, expand disclosure in English, and so on.