



AICHI STEEL

INTEGRATED REPORT 2020

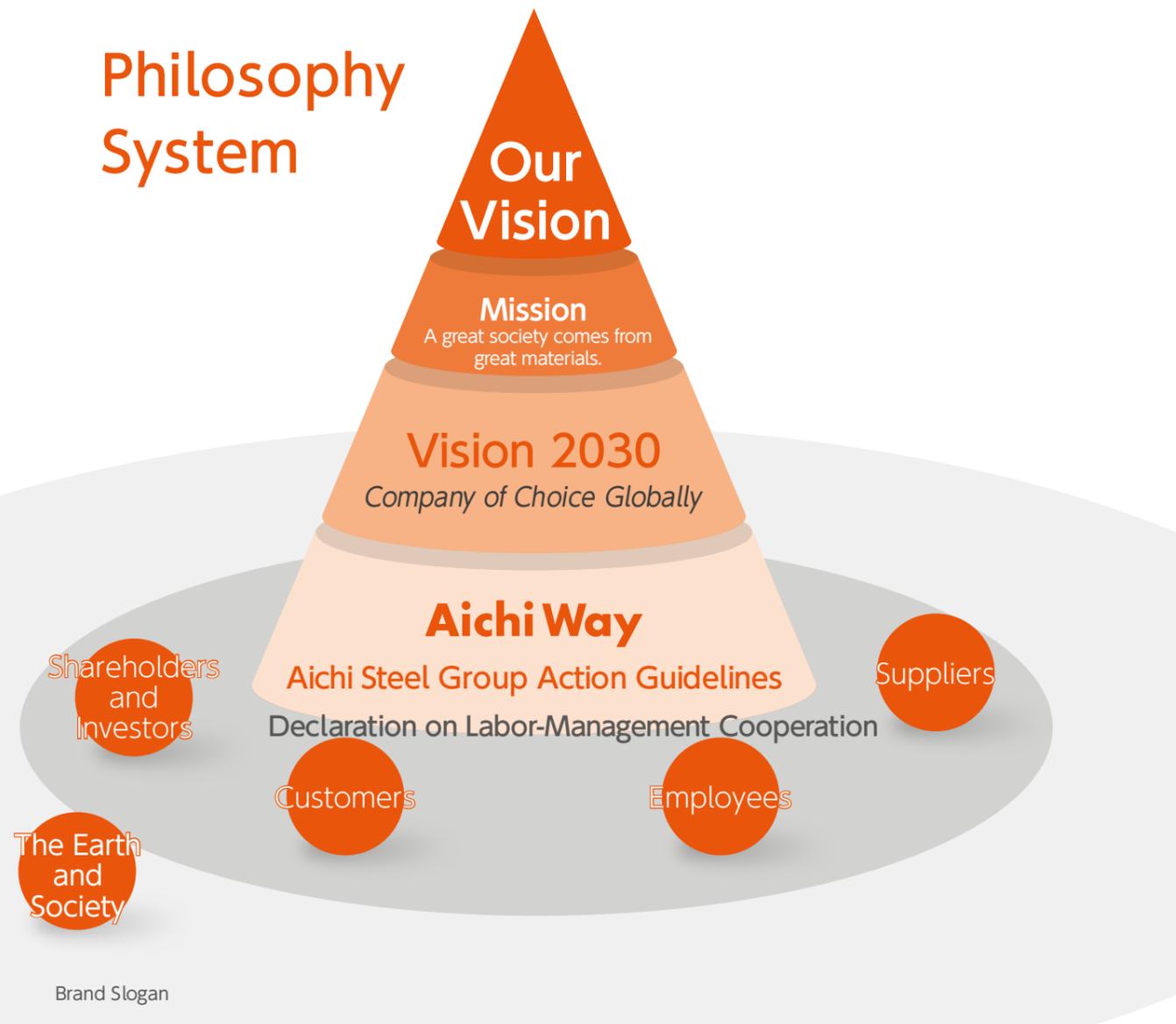
*Innovate Materials.
Create Tomorrow.*

Our Vision

We will strive to make positive contributions to society by providing appealing products from global perspectives and based on our vibrant and trustworthy corporate qualities.

- 1 We will strive to make a positive contribution to society with safe, appealing, and useful technology and products.
- 2 We will pull together culture based on trust, reliability and the pursuit of excellence.
- 3 We will be a good corporate citizen, ever mindful of our environmental responsibilities.

Philosophy System



**Innovate Materials.
Create Tomorrow.**

In March 2020, we created our brand slogan. This is our declaration to society that we intend to become a company that expands the possibilities of manufacturing by adding value to materials, as the starting point, to evolve them into products and systems. The orange dots in the logo symbolize our commitment to using materials to support the future.



Brand website (Japanese only)

Editorial Policy

The Aichi Steel Integrated Report 2020 was prepared to assist understanding among our many stakeholders of the approaches taken by Aichi Steel and the Aichi Steel Group in fiscal 2019, ended March 31, 2020. Besides describing these approaches with specific examples, it sets forth as much as possible the causes and future initiatives concerning items for which targets have not yet been met.

As we celebrate our 80th anniversary, we have written this report with a focus on the clear communication of our growth strategies, and the value we contribute to society, during this major once-in-a-century transition. The report follows an integrated reporting format, combining financial and non-financial information, and introduces our initiatives for creating medium- to long-term corporate value as we strengthen our efforts to achieve the SDGs*1 to put our ESG*2 management into action.

Use of color, volume of text, text size and other factors were taken into consideration to create a more easily readable report.

Reporting Media

Our reporting via print and the web takes advantages of the characteristics of each medium. The print version narrows down the content to those items of significant importance and those of greatest interest to the public, presented in an easy-to-read and easy-to-understand format. The web version offers a more complete overview of our ESG initiatives.



Readers

This Report is mainly intended for our customers, suppliers, other business partners, shareholders and investors, affiliated companies and our employees.

Report Period and Scope

The Report covers activities conducted by the Aichi Steel Group during fiscal 2019 (April 2019 to March 2020). However, some activities conducted before or after fiscal 2019 are also explained where necessary.

Important note about forecasts

The financial results forecasts in this report are based on judgments and assumptions from currently available information. Actual business results may differ greatly from targets, in light of their inherent uncertainty and the potential of revision due to future business operation or changes to information inside or outside the company.

*1 SDGs: Sustainable Development Goals
*2 ESG: Environmental, social and governance

Reference Guidelines

GRI Standards
ISO 26000 (Corporate Social Responsibility)
International Integrated Reporting Framework (published by IIRC)

Information Available on Our Website

For topics with the "Web" mark, please refer to our website for further details including figures.

https://www.aichi-steel.co.jp/ENGLISH/csr/csr_report/index.html

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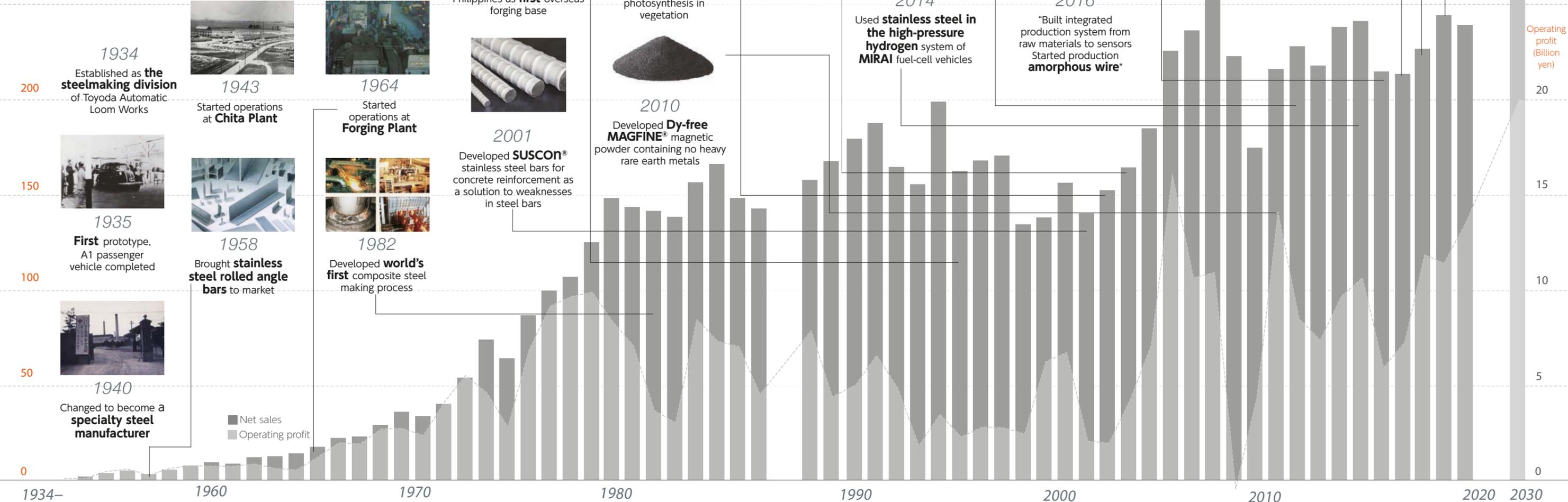
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DNA of Aichi Steel

Aichi Steel Corporation was originally established as a steel making division at Toyoda Automatic Loom Works (currently Toyota Industries Corporation), and it began operating in 1940 as Toyota Steel Works. The history of Aichi Steel shows our efforts to contribute to society by carrying forward the spirit of our founder Kiichiro Toyoda and his belief that "Great cars are made with great steel."

History of the Business

Net sales
(Billion yen)



Philosophy Evolution



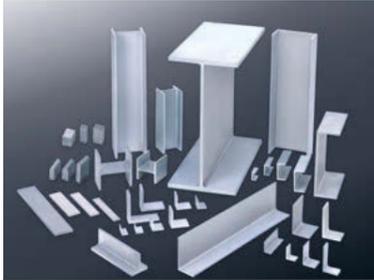
* Consolidated since 1995
* The standards for posting sales were changed in 1998 (the portion of sales from steel making base material are excluded from sales of steel products)

(80th Anniversary)

▶ **Looking forward to our 90th, 100th and other future anniversaries**

Aichi Steel Today

Manufacturing at Aichi Steel had its beginnings in specialty steel production. While carrying on this founding DNA, it has evolved into a wide range of businesses. Taking advantage of the technical capabilities we have cultivated, we are creating the products of choice for our customers.

Segment	Net sales (FY2019)	Main products	Developed technologies	Market presence (FY2019)
 <p>Hagane Company</p> <p>Based on our experience and technical capabilities in manufacturing specialty steels for over half a century, the Aichi Steel Group continues to evolve in pursuit of being number one in quality.</p>	<p>82.8 billion yen</p>	<p>Carbon steels and alloys for machine structural use, steel with guaranteed hardenability for structural use, microalloyed steel, boron steel, spring steel, high carbon chrome bearing steel, etc.</p>	<ul style="list-style-type: none"> ● Development capabilities that have evolved with the accumulation of years of experience since foundation ● High quality that contributes to automobile safety, refined through the belief that "Great cars are made with great steel." 	<p>Hot-rolled steel bars (alloys for structural use) Share of Japanese production</p> <p>No. 1 (25%)</p> 
 <p>Stainless Steel Company</p> <p>As the leading manufacturer of stainless steel shapes in Japan, the Aichi Steel Group meets the various needs of the customers through large variety and small quantity production of over 4,000 products of different shapes and types.</p>	<p>39.0 billion yen</p>	<p>Stainless steel shapes, round bars, deformed bars and titanium bars, and engineering of stainless steel construction</p>	<ul style="list-style-type: none"> ● Hot-rolling technologies of various shapes and dimensions accumulated over the years since producing Japan's first hot-rolled stainless steel angle bar in 1958 ● Stainless steel building structure engineering technologies, including design partnership, plant production, and one site construction 	<p>Stainless steel shapes and flat steel Share of Japanese production</p> <p>No. 1 (70%)</p> 
 <p>Kitaeru Company</p> <p>Leveraging the strengths of integrated forging with steel making process, which enables in-house production of everything from steel material to forged products, the Aichi Steel Group is producing high value-added components that contribute to lighter, higher-performance automobiles.</p>	<p>102.0 billion yen</p>	<p>Hot-cold-forged products and machined products (engine, chassis and drivetrain components, etc.)</p>	<ul style="list-style-type: none"> ● Ability to offer solutions using high quality products that leverage the strengths of integrated forging with steel making processes ● World-class forging technologies that create highly functional, highly accurate products 	<p>Production volume in Japan as a single forging plant</p> <p>No. 1 (No. 3 globally)</p> 
 <p>Smart Company</p> <p>The Aichi Steel Group is creating new businesses across five fields, from electronic components, magnets, dentistry and sensors, to iron fertilizers developed through knowledge of specialty steel manufacturing.</p>	<p>14.8 billion yen</p>	<p>Electronic materials and components, anisotropic Nd-Fe-B bonded magnets (MAGFINE®), dental magnetic attachments, ultra-compact ultra-sensitive magnetic sensors (MI Sensors), iron fertilizers, etc.</p>	<ul style="list-style-type: none"> ● Practical ability to expand the possibilities of a smart society through new products that leverage steel making technologies ● Unique technical capabilities able to contribute to a diverse range of customers 	<p>Anisotropic Nd-Fe-B bonded magnets Share of global production</p> <p>No. 1 (40%)</p> <p>Lead frames for EVs Share of Japanese production</p> <p>No. 1</p> 

Company Profile

Establishment: March 8, 1940
 Capital: 25,016 million yen (as of March 31, 2020)
 Representative: Takahiro Fujioka, President
 Employees: 4,912 (Consolidated)
 2,687 (Non-consolidated) (as of March 31, 2020)

Business Description: Production and sale of specialty steel products, forgings and electromagnetic products

Head Office: Tokai City, Aichi Pref., Japan
 Sales Offices: Tokyo / Osaka / Fukuoka
 Overseas offices: Shanghai / Silicon Valley
 Plants: Chita / Kariya / Forging / Higashiura / Gifu / Seki / Electronic Components

Value Creation Model

Even as our environment undergoes drastic changes, we will address social challenges through our business activities and achieve steady growth, supported by the spirit of our founder and his belief that "Great cars are made with great steel." Aichi Steel employees, who all share the Aichi Way mindset, will continue to provide value to society with the belief that "A great society comes from great materials." by leveraging the strengths of materials developed since foundation in each of our business domains.



About the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted at a United Nations summit in September 2015 as a number of goals for creating a sustainable world. The global community is working together to achieve the goals. Aichi Steel is also committed to the achievement of the SDGs through its businesses.

Identity

Strengths

Business

Value for Society

Roots/DNA of Aichi Steel

- Established to manufacture the specialty steels required for automobiles
- Toyota Group's only materials manufacturer, supporting the basic performance of automobiles

Mission

At foundation:
"Great cars are made with great steel."

Now:
"A great society comes from great materials."

Changes in society and the environment

- Global warming and air pollution
- Urbanization and aging populations
- Information technologies and intelligent technologies
- Changes in automobiles
- Automation and driverless technologies

Systems and people

- Business organization comprising Companies and a Corporate office
- HR diversity and HR development systems to support sustainable growth

Development and manufacturing capabilities

- Material development capabilities handed down since foundation
- Magnet and sensor technologies derived from steel manufacturing
- High quality, stable manufacturing capabilities developed by the Toyota Group

Networks and cooperation

- Global production and sales sites
- Robust supply chains
- Future-focused business and technical collaborations

Financial foundation

- Healthy and robust financial foundation
- Varied financing channels
- Cash flows with highly efficient capital

Existing businesses

Hagane Company



Specialty Steel

Stainless Steel Company



Stainless Steel / Titanium

Kitaeru Company



Forged products

Smart Company



Electro-magnetic products

Expanded value through creativity and further leveraging of existing strengths

Laying the foundation for new businesses

Electronic functional components



HVs, EVs, FCVs

Battery materials



EVs

Motors and magnets



EVs

GMPS (Global Magnetic Positioning System)



Autonomous driving

Ultra high sensitive sensors



Sensing and medical

Environment and energy materials



Heat storage material developed by Aichi Steel
Heat storage systems

Iron fertilizers



Agriculture and biotechnology

New value focused on social changes and needs

Business foundation that supports steady growth

- ESG management (Environmental, Social and Governance)
- Risk management and compliance
- Prioritization (safety, quality, production, costs)
- Employee contentedness and growth

Aichi Way



Maintaining human and global health

- CO₂ reductions through high strength, high performance materials for lightweighting vehicles
- CO₂ reductions through waste heat recovery and heat storage units
- Soil improvement and greening through iron fertilizers
- Safer and more secure healthcare provision through medical equipment using sensing technologies
- Food safety through detection of foreign matter in food
- Safe and secure workplaces and richer work lives



Supporting safe, secure and convenient mobility

- Accident reductions and help for mobility-impaired people through autonomous driving support
- High strength, high performance materials to support vehicle running, turning and stopping
- Highly functional components for EVs and FCVs



Creating an exciting future

- Creating clean and safe cities through superior design and maintenance-free stainless steel
- Developing materials that make our dreams come true (Aerospace, oceanic and underground development etc.)





Message of Commitment from the President

Contributing to Sustainable Earth and Society Through Vision 2030

President
Takahiro Fujioka

Aichi Steel and the COVID-19 Pandemic

Due to the spread of the novel coronavirus disease (COVID-19), and an economic slowdown in China caused by trade friction between the U.S. and China, Aichi Steel production dropped during FY2019 in an environment of rapidly deteriorating demand in the global economy. Nevertheless, the falling price of raw materials and efforts to improve profits by managing with Genryou Management (managing with limited order quantity), which we have been encouraging company-wide since last year, have yielded results and while experiencing a slight drop in revenues, our profits have increased.

The impact of COVID-19 on our business was only minor in FY2019, but with production during the first quarter of FY2020 falling below the break-even point, the situation has become extremely difficult.

To overcome this crisis, we have adopted the policies of (1) Ensuring safety and quality, (2) Protecting the health of employees and ensuring no one gets infected, (3) Ensuring customer production never stops, and (4) Containing the impact on profits to a minimum across the whole company. We have also worked to achieve continuous and

optimal operations by reviewing our operating systems and adjusting production.

To stop the spread of COVID-19, we leveraged our crisis management capabilities, built on our experience including the January 8, 2016 accident and natural disasters, to launch an Emergency Control Headquarters and quickly implement appropriate measures. We were also proactive in adopting working from home and staggered work hours for our employees. As a result of this disaster, we have had the opportunity to identify challenges with flexible workstyles and explore future directions, and we have had considerable help in driving workstyle reform.

On the other hand, I think our second quarter will be a turning point for us. With customer production gradually recovering, this next phase will see increased production. We will beat this COVID-19 pandemic by building flexible production systems and accelerating workstyle reform. And in the new normal of a post-COVID world, we will continue contributing to the future by adapting appropriately to the new environment.

What We Should Do to Transform the Industry

Our response to CASE

Right now, the automotive industry is experiencing a major once-in-a-century transformation. As CASE (Connected, Autonomous, Shared & Services, and Electric) technologies accelerate and automakers reinvent themselves as "mobility companies," providing all kinds of mobility-related services, we also have to change to be able to provide high value-added components and systems. We consider autonomous driving and vehicle electrification in particular to be areas in which we can make

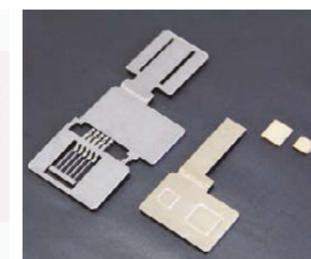
contributions. For autonomous driving, we have developed systems for commercializing our GMPS (Global Magnetic Positioning System), an autonomous driving support system that uses magnetic markers that we are developing for practical use. For electrification, we are focusing on developing electronic components and forged products for EVs, and new products for EV motors.



GMPS autonomous driving support system



MI Sensors (ultra high sensitive magnetic sensors) used for the GMPS



Electronic components



Magnet rotor with high strength gear

Efforts to strengthen our business foundation

The electrification of vehicles will certainly result in reduced demand for our specialty steels in the future. For this reason, the company as a whole has started efforts to **manage with Genryou Management**, starting last year as part of activities to strengthen our business foundation. Our Companies have been focused on lowering the break-even point, and consolidating equipment to build lean production systems that are always profitable due to our “volume-matched costs” approach, and as a result we have seen a great improvement. When the results of your efforts start to become visible like this, it really boosts motivation among employees.

We are also actively working to **strengthen connected earnings capacity on a global basis**. Starting with our investment in, and technical support of, India's Vardhman Special Steels Limited in August 2019, we are building the foundations for future steel supplies within India and to the ASEAN region.

We are also actively driving **organizational reform**. We introduced our in-house company

system in 2017 to improve the speed of decision-making in the CASE era. In April 2020, we also added the Stainless Steel Company to the system, as a spin-off of the stainless steel business from the Hagane Company, to become a new pillar of our business. We did this in response to the infrastructure crisis and hydrogen society expected in the future and in anticipation of increasing expectations and demands from society for stainless steel. We also split our Manufacturing and Future Planning Headquarters into a Research and Development Headquarters and a Manufacturing Innovation Headquarters to increase the speed of commercialization for development projects and to strengthen the business foundation for our manufacturing functions.

To further **accelerate executive decision-making by management**, we have also consolidated the roles of Managing Executive Officer and Senior Managing Executive Officer into a single Managing Executive Officer role. We are enhancing governance as well, with the adoption of incentives to encourage the creation of sustainable corporate value and a restricted stock compensation plan to provide even greater value to shareholders.



What We Had to Do as We Celebrated Our 80th Anniversary

Four pillars raised during our 80th year

Aichi Steel celebrated its 80th anniversary in 2020. To all our stakeholders, I offer you my sincerest thanks.

Since I became president in 2011, I have worked to make Aichi Steel the Company of Choice Globally by strengthening the framework of the company. In 2020, as we celebrate our 80th anniversary, we have raised four important pillars as guidelines toward our vision for the Aichi Steel Group.

The first of those pillars is the **Aichi Way**, which we established in 2018. This is an employee-directed initiative that acts as a code of conduct and spiritual anchor for our employees to all share the common values with the same mind. This was

one of my ideas, which our officers formulated through discussions and research into the history of our company to embody the three concepts of Sustain, Appreciate, and Create that are so important to us.

The second pillar is our **brand slogan, “Innovate Materials. Create Tomorrow.”** established in March

2020 as an outward-facing initiative to demonstrate the identity and vision of Aichi Steel. This is our declaration to society that we will become a company that expands the possibilities of manufacturing by evolving materials, as the starting point, into components and systems. Created by a project team of employees as a bottom-up initiative, the final wording was chosen through a company-wide vote. The orange dots in the logo symbolize Aichi Steel's commitment to supporting manufacturing and future society from the center of each. In addition to being our message to others outside the company, the brand slogan will also become a unifying force within the company.

Our third pillar is the **Declaration on Labor-Management Cooperation**, that we signed as a declaration of cooperation between unions and the

Innovate Materials. Create Tomorrow.

Brand slogan

Approach to creating Vision 2030

Including the above, we have been developing various systems and implementing various reforms. At one point, we felt we had to have a vision that would define future directions for the company and align all our employees. We cannot survive in the middle of a rapidly changing environment by just producing the same yearly plans that we have produced in past years. We needed a long-term vision that could act as a light; one that could be incorporated into our medium-term and annual management plans. That was when we established Vision 2030. We felt that with that vision, we could make every investment with the same unwavering focus.

It is not easy to look 10 years ahead in the middle of a period of turbulence. However, we decided to think together about what kind of company we would like to become by 2030, even if it turns out to be wrong. Our Companies and Headquarters therefore came together to create a vision.

Part of that vision is the **Company of Choice Globally** concept that I have been advocating since

company to tackle difficulties together. There are three promises that we make: to create a prosperous society; to develop talent through manufacturing; and to ensure employee happiness and company growth. In the midst of this major transition, we will work to create a happy company, with “people” as our top priority, with mutual trust between those people supporting our company, and with workers and management heading in the same direction.

Finally, the fourth of our pillars is **Vision 2030**, which we established this year.



Declaration on Labor-Management Cooperation signing ceremony

becoming president, and a basic policy to **enhance earnings capacity by reforming business and manufacturing while putting ESG management into practice**. We will ensure regulatory compliance, safety, quality, and stable supplies (in that order), and continue managing with Genryou Management in line with the Toyota Production System (TPS), to flexibly and smoothly respond, and improve profitability, even in a dramatically changing business environment. While ESG management is an initiative that we have been implementing for a while, the ESG perspective is becoming more and more important globally. We will therefore further enhance this initiative **to remain a valued and sustainable company**.

In addition, to put our ESG management into action, we also believe the SDGs are important goals to actively focus on in order to contribute to a sustainable Earth and society as a member of the global community. In formulating Vision 2030, we have shown the relationships between each of our measures and the SDGs so that every employee can be aware of how they can contribute to and address global challenges.

Vision 2030: three management guidelines

There are three management guidelines that we will follow: Contribution to a sustainable global environment; Creation of a prosperous society through business reform; and Employee happiness and corporate development.

(1) Contribution to a sustainable global environment

As per the "challenge towards zero-carbon steel" being pursued by the Japan Iron and Steel Federation, we believe it is our obligation to reduce CO₂ emissions in the iron and steel industry, so we are implementing a range of initiatives to contribute toward a low-carbon society. Specifically, we will further reduce CO₂ emissions through initiatives including improving energy

efficiency through 4S Re-Engineering, finally achieving industry-first exhaust heat recovery systems, and heat storage systems undergoing the world's first in-plant trials. At the same time, we will further improve recycling technologies toward a zero-emission future to fulfill our environmental responsibilities as a company.

We will also contribute to maintaining biodiversity through the "Forestation to create a forest for beetles" initiative that we have been implementing since 2012.

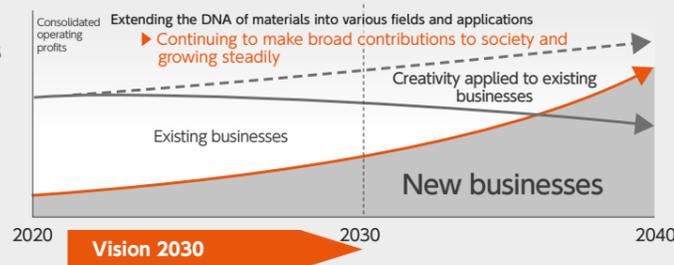
(2) Creation of a prosperous society through business reform

In addition to reforming existing businesses, we will improve profitability by quickly moving new businesses to a commercial standing. As we break away from our history as a material manufacturer, we will add further value to our products as we focus on transforming from a materials manufacturer into a components manufacturer. For example, we will combine material development with forging technologies to supply the components required for electric cars—but as components that are almost finished products—so that we can reduce costs and shorten the processes for

customers. We have also manufactured a prototype of a high-speed motor, packed with Aichi Steel technologies, that brings together magnets, high strength materials and gears into a single motor unit for EVs. As we drive such practical applications, we will continue to create new value that exceeds our customers' expectations.

We plan to commercialize new businesses with a global focus, including our GMPS autonomous driving support system using magnetic markers and iron fertilizers that are expected to help improve soils, as well as amorphous wire products for use in medical and security fields, to help address global challenges.

Directions for future businesses



(3) Employee happiness and corporate development

We believe that mutual growth is possible if we link targets for personal growth with targets for the company, so we are driving initiatives that can increase engagement with employees. The main prerequisite for this is ensuring the safety and security of our employees. Therefore, we will create a culture of mutual awareness to develop places, people, and systems that can remain accident-free. In addition, we will continue developing environments where we can support diversity in order to further evolve as an organization that recognizes and utilizes the individuality and

strengths of all employees.

To improve individual productivity, we have also expanded education at Aichi Steel to enable everyone to understand the "Jikotei Kanketsu" (defect-free process completion) approach and problem-solving methods. This year, I have also been involved directly as an instructor to focus on developing human resources.

We are creating workplaces that are more comfortable for our employees through a series of tangible initiatives, which will include rest facilities, bathhouses, and parking lots at our production sites, in addition to the already completed administration building and Ai-terrace recreation hall.

The most important factors for implementing Vision 2030 are a sense of ownership and a change of the mindset for every employee. The vision will be meaningless if there is a miscommunication between management and employees because management's

approach was not properly communicated. For this reason, every Company President needs to communicate this vision in his own words to enable each and every employee to understand, and then work together to put it into practice.

Vision for Aichi Steel on Our 90th, 100th and Other Future Anniversaries

These days, in addition to improving profitability, companies must also contribute to a sustainable Earth and society on a global scale. The SDGs have become a common language globally for use in evaluating those efforts. By contributing to the achievement of the SDGs through the realization of our Vision 2030, we will be able to continue providing new value to society through our belief that "A great society comes from great materials." which has evolved from our founder's belief that "Great cars are made with great steel."

While celebrating our 80th anniversary this year, I feel that we have also laid the foundations for our 90th anniversary in 2030 and our 100th anniversary after that. In this first year of our major transition into a stronger, more powerful company, I am confident

that, in line with the Aichi Way, our brand slogan and the Declaration on Labor-Management Cooperation and with the mindset and purpose of our predecessors, our commitment to Vision 2030 will help increase corporate value for Aichi Steel.

In 20 years' time, when we reach our 100th anniversary, I want Aichi Steel to still be a company of happy, smiling employees. To achieve this goal, survive this major transition, and achieve steady growth, we will all work together with one mind and with one force to improve our manufacturing capabilities and implement ESG management.

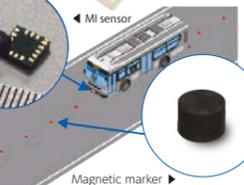
The Aichi Steel Group is looking forward to a great future.



Risks & Opportunities

As the social environment continues to change at a hectic pace, new challenges are appearing that we must address. We have clarified a future vision for Aichi Steel by accurately understanding risks, as well as opportunities for value creation, related to those challenges and reflecting them in our Vision 2030.

Going forward, we will respond flexibly to changes in our environment and accelerate initiatives for addressing social challenges and achieving sustainable growth.

Environmental Analysis	Category	Risks and Opportunities	Measures (Current)
<p>Changes in the global environment</p> 	<ul style="list-style-type: none"> ● Global warming ● Biodiversity 	<ul style="list-style-type: none"> ● Adoption of carbon pricing systems ● Response to society's requests to reduce CO₂ emissions 	<ul style="list-style-type: none"> ● Development and adoption of technologies to reduce CO₂ emissions ● Improvement of energy efficiencies and promotion of energy-saving activities  <p>Equipment able to reduce CO₂ emissions</p>  <p>Heat recycling using a heat storage system</p>
<p>Changes in existing market environments</p> 	<ul style="list-style-type: none"> ● Social infrastructure lifespan ● Iron and steel demand trends 	<ul style="list-style-type: none"> ● Rebuilding of social infrastructure ● Growth of overseas manufacturers and structural reform of iron and steel companies 	<ul style="list-style-type: none"> ● Development of materials and products that can help with updating of social infrastructure ● Improved competitiveness of integrated forging with steel making processes  <p>LNG tank (photo credit: Toho Gas Co., Ltd.)</p>  <p>Differential ring gear CVT shaft</p>
<p>Arrival of the smart society</p> 	<ul style="list-style-type: none"> ● CASE (automobile structural changes, autonomous driving) ● IT/AI 	<ul style="list-style-type: none"> ● Expansion of the EV market (expansion of demand for materials and components for EVs) ● Reduction in use of specialty steels due to electrification of vehicles ● Expansion of markets for new technologies and materials ● Operational reform through use of IT 	<ul style="list-style-type: none"> ● Development of materials and components for EVs and FCVs ● Expansion of business into new fields ● Improvement of productivity through adoption of IT technologies  <p>Electronic components for EVs</p>  <p>MI sensor Magnetic marker</p>
<p>Changes in society and the environment</p> 	<ul style="list-style-type: none"> ● Aging and diversity ● Safety and health ● Spread of new infectious diseases 	<ul style="list-style-type: none"> ● Dwindling workforce due to declining birthrates ● Driving workstyle reform ● Impacts of pandemic on business (declining demand, inability to operate) 	<ul style="list-style-type: none"> ● Enhancement of diversity ● Development of work environments ● Health promotion activities ● Building of flexible production systems and promotion of diverse workstyles (remote working)  <p>New AI-terrace recreation hall</p>  <p>2020 健康経営銘柄 Selected under the Health & Productivity Stock Selection Program</p>

Formulation of the Vision 2030

Company of Choice Globally

In light of these changes, we have clarified our vision for the next 10 years.

Vision 2030

Company of Choice Globally

Vision 2030 clarifies what we want to achieve over the coming 10 years, and it presents a basic policy to **enhance earnings capacity by reforming business and manufacturing while putting ESG management into practice**. Through efforts to achieve this vision and create a sustainable Earth and society, we will contribute to the Earth, society and people, and the SDGs, and remain a valued and sustainable company.

Three management guidelines for 2030

Contribution to a sustainable global environment

- 1 Fulfill environmental responsibilities**
 - Eliminate landfill waste, pollutants, and other substances of environmental concern
 - Work towards 100% automobile recycling
- 2 Contribute to a low-carbon society**
 - Achieve the industry's highest energy efficiency
 - Contribution of the steel industry to the prevention of global warming through technology to use exhaust heat and renewable energy
- 3 Harmony with nature**
 - Undertake CSR activities to protect biodiversity starting with regional activities




Creation of a prosperous society through business reform

- 1 Reform existing business**
 - Develop materials and parts that respond to the electrification of automobiles
 - Provide products that are useful to updating social infrastructure
- 2 Develop business in new (smart) fields**
 - Healthcare field: Contribute to healthcare technologies that mitigate physical burdens
 - Agricultural field: Development products that contribute to increased crop yields worldwide
 - Transportation field: Provide systems that can drive autonomously even under poor conditions
- 3 Shift from manufacturing to building value-added service systems**
 - Streamline processes based on TPS
 - Create innovations in quality assurance, R&D and engineering technology





Employee happiness and corporate development

- 1 Safe and reassuring work environments**
 - Transform worksites, personnel, and structures to continue eliminating accidents
 - Create an open culture where all employees can work with vitality
- 2 Enhance work life**
 - Create structures where the company and individuals share objectives and targets and can each grow (Engagement)
- 3 Produce autonomous human resources**
 - Dramatically raise staff productivity and implement Jikotei Kanketsu
 - Create workplaces that increase individuality and foster diversity





Company Visions

<div style="background-color: #f47920; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Hagane Company</div> Becoming the leading manufacturer of specialty steels to contribute to the development of a mobility society	<div style="background-color: #f47920; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Stainless Steel Company</div> Contributing to creating a sustainable society through stainless steels and engineering	<div style="background-color: #f47920; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Kitaeru Company</div> Evolving from a hot-forged product manufacturer into a components and finished product manufacturer	<div style="background-color: #f47920; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Smart Company</div> Providing safety and security to people around the world through materials and technologies
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Refer to Priority Issue 3 on p. 27-36 for details. >>>>

Important tasks for reform with a focus on Corporate Office functions

<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Safety</div> Safety management, development of safe personnel, fundamentally safe designs	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Quality</div> Reform manufacturing based on quality through ongoing improvement of QMS	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Sales</div> Shift from sales of materials to sales of components and finished products and continuously create new business models	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Environment</div> Create a roadmap for achieving zero CO ₂ emissions in 2100 and zero landfill waste	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">R&D</div> Dramatically increase the speed of R&D and create innovation	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Engineering</div> Become an organization of comprehensive worksite improvement professionals using TPS, TPM, safety, karakuri, and so on	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">IT</div> Achieve consistency of data using cutting-edge IT	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Work styles</div> Create workplaces where all employees feel that they are performing meaningful work for the company	<div style="background-color: #444; color: white; padding: 5px; border-radius: 10px; display: inline-block;">Integrated forging with steel making processes</div> Integrated manufacturing from steel materials to forging and parts processing (R&D, designs, and technologies)
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Priority Issues (Reconfigured to incorporate Vision 2030)

In 2016, we identified a number of issues to address through our business activities, which we refer to as the "Priority issues (Materiality) for the Aichi Steel Group," and we have continued working on those issues since then. To actively drive ESG management in response to changes in the social environment, we have reconfigured those previous priority issues to incorporate Vision 2030. In line with the expanded priority issues, we will work to further enhance our efforts and address these social issues on a global scale.

Vision 2030 Company of Choice Globally

Previous priority issues

- 1 Increase compliance awareness globally, and strengthen corporate sustainability
- 2 Encourage the creation of workplaces that are safe and comfortable for all employees
- 3 Provide highly competitive products that are safe and secure and offer new value globally
- 4 Strengthen relationships with local communities, and actively contribute to society
- 5 Strengthen initiatives toward manufacturing in harmony with the global environment
- 6 Establish a solid financial foundation to support stable and sustainable growth



Reconfigured priority issues ★ Items enhanced due to Vision 2030

Priority issues	Components	Key performance indicators (KPIs)	Applicable section
1 Contribute to a sustainable global environment E Environmental	★ Environmental responsibility	Volume of direct and indirect landfill waste	→ p. 50 (Volume of direct and indirect landfill waste) → p. 23, p. 50 (Total CO ₂ emissions) → p. 24 (Harmony with nature)
	★ CO ₂ emission reductions	Breakdown of energy use (CO ₂ emissions)	
	★ Harmony with nature	Status of efforts to preserve biodiversity (number of Nakashinden indicator species, number of volunteer activities, etc.)	
2 Encourage the creation of workplaces that are safe and comfortable to improve employee happiness S Social	★ Safe and reassuring work environments	Status of facilities improvements based on safety evaluations, status of safety measures and efforts to strengthen safety awareness, and frequency of lost time accidents	→ p. 26 (Frequency rate and number of lost time accidents) → p. 25 (Initiatives toward diversity) → p. 26 (Human resources development)
	★ Work-life balance enhancement	Assistance and programs for supporting diverse work styles, and their status of use	
	★ Autonomous human resources production	Status of efforts to improve employee productivity	
3 Create a prosperous society through business reform and provide extremely competitive products S Social	★ Existing business reform	Initiative status and growth strategies of each Company → p. 27–36 Status of quality improvement efforts (number of recognitions received and description) → Website (Awards for Group companies) Sales staff training, quality improvement activities (number of times held, number of participants, etc.) → Website (Training programs for sales staff) Gathering of customer evaluations (number collected and percentage of improvements, resolutions, etc.) → Website (Collection of customer evaluations)	
	★ Development of business in new fields		
	★ Shift from manufacturing to building value-added service systems		
4 Strengthen relationships with local communities, and actively contribute to society G Governance	Presence in the local community	Status of social contribution activities selected under in-house criteria (number of participants; clear compilation standards based on fixed-point observation) → p. 37, p. 50 (Annual number of volunteers)	
	Local communities	Status of local community development programs (plans and achievements against those plans) → p. 38 (Interaction with the local community)	
5 Increase compliance awareness globally, and strengthen corporate sustainability G Governance	Compliance (environment)	Results of environmental management system audit → Website (Environmental audit results)	
	Compliance (society)	Status of various efforts to strengthen compliance (number of lectures and internal audits; held as a percentage of those planned) → p. 40 (Compliance promotion activities)	
	Compliance (product responsibility)	Certification and review by a third-party organization → Website (Third-party certifications)	
	Governance system		
6 Establish a solid financial foundation to support stable and sustainable growth F Financial	Financial performance	Profitability (operating profit, ROE, etc.) → p. 45–48 (Financial information for fiscal 2019) Soundness, capital efficiency (Net worth, capital equity ratio, etc.)	

E Contribute to a sustainable global environment

Environmental

Priority Issue 1

The Aichi Steel Group has established medium- to long-term targets around three environmental issues—"building a low-carbon society," "building a resource-recycling society" and "achieving harmony with nature"—and is working to achieve those targets. Through these efforts, we are achieving efficient use of energy and resources and, through harmony between the global environment and manufacturing and by providing products and services with low environmental impact, we are contributing to a sustainable global environment.

SDGs relevance



Environmental management

Website

Environmental activity promotion system

We formulated the "Environmental Action Plan" in June 1993, and the "Aichi Steel Environmental Charter" in June 1996. In order to achieve our goals, we are actively rolling out new initiatives. In light of the increasing global trend to ban, restrict, and control certain chemical substances contained in products, we revised the "Aichi Steel Environmental Charter" and management system in February 2017 to strengthen our management of chemical substances.

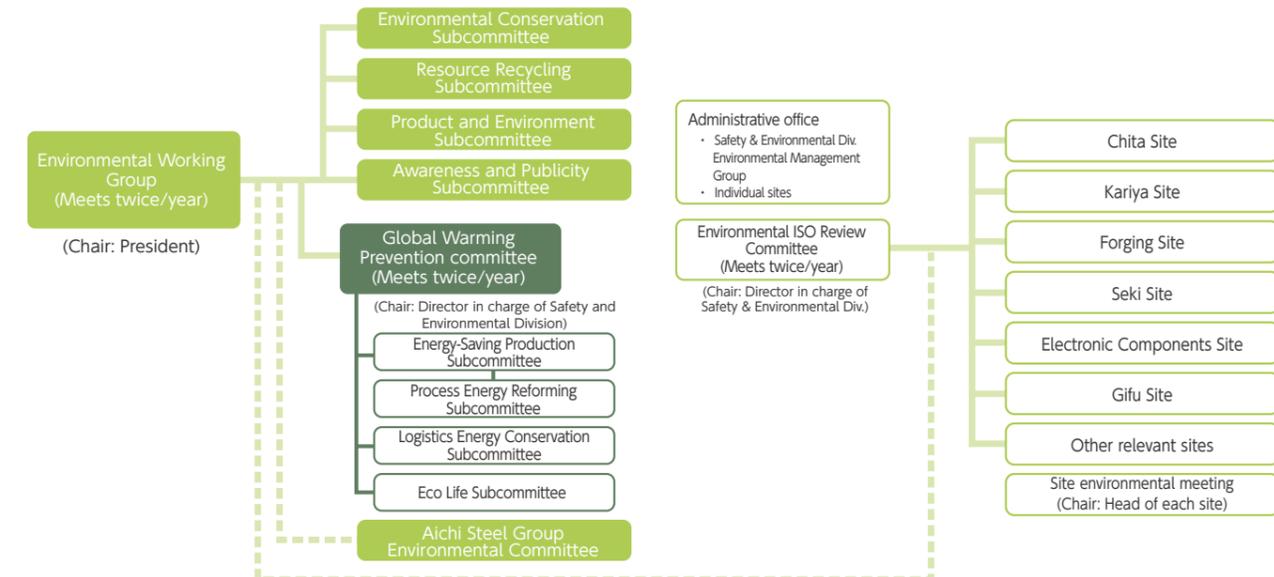
In order to promote these revisions, we have established a new organizational system. The Environmental Working Group now oversees four subcommittees, the Global Warming Prevention Committee, the Aichi Steel Group Environmental Committee, and promotes a variety of activities aimed at environmental conservation. In addition, we are currently working to ensure that all consolidated subsidiaries that operate production sites are ISO 14001-certified.

Environmental guidelines

In order to promote environmental management activities, we have drawn up a set of Environmental Management Regulations. Its content can be broadly divided into four parts: 1) Items related to promoting environmental management; 2) Items related to compliance with and management of environmental regulations (laws, ordinances, agreements,

etc.) such as the Basic Environment Law; 3) Items related to the advance evaluation of the environmental impact of our products, raw materials, sub-materials, and facilities; 4) Items related to supporting and cooperating with societal and local environmental conservation activities.

Environment management promotion organization



Aichi 2020 Environmental Action Plan

We formulated the Aichi 2020 Environmental Action Plan, a statement of policies and plans for environmental actions from fiscal 2016 to fiscal 2020. The plan adopts three core themes for the direction of our environmental action based on environmental management: "building a low-carbon society," "building a resource-recycling society" and "achieving harmony with nature." By reinforcing management from a global perspective that extends to consolidated subsidiaries, we are contributing, as a sustainable company, to society and the global environment.



FY2019 Action Items and Results

Theme	Action item	Target	Major efforts	Results	Evaluation	
Three Core Themes	Building a low-carbon society	1. Undertake development of eco-products and technologies	—	• Development of products that reduce the environmental impact	• Evaluating strength of steel for high strength differential gears in progress • Started mass production of stainless steel for next-generation high-pressure hydrogen applications	✓
		2. Reduce CO ₂ emissions through innovative improvements in energy efficiency	Compliance with Japan Iron and Steel Federation's Low-carbon Society Plan (Phase 1)	• Planning and implementing CO ₂ reduction activities at each plant • Promoting energy savings in production • On-site inspections to improve energy efficiency through joint patrols between each site and EMS*1 top management	• Achieved compliance with Low-carbon Society Plan (Phase 1) 	× (Note)
		3. Thorough implementation of energy saving activities in production	Compliance with Japan Iron and Steel Federation's Low-carbon Society Plan (Phase 1)	• Streamlining routes • Modal shift*2 • Improve loading rates • Consolidation and shipment of cargo by destination vehicle • Review of the number of scheduled routes to suite cargo volume		✓
		4. Seek better transportation efficiency in logistics	13% reduction of emission volume per transportation unit from the 2006 level	• Internal reuse of dust from electric furnaces • Internal recycling of electric furnace refractories • External recycling of waste acid and sludge • External recycling of cleaned sludge		✓
	Building a resource-recycling society	5. Reduce by-products during production and continue to utilize resources effectively	220 kg/t or less emission volume per crude steel unit	• AS Shot*3 technology PR and promotion		✓
		6. Promote projects that benefit resource-recycling corporations	—	• AS Shot*3 technology PR and promotion	• None found	✓
		7. Reduce and effectively use packaging materials in logistics operations	—	• Monitor for new packaging	• Managed water volume use at Forging Plant and Gifu Plant	✓
	Harmony with nature	8. Reduce water use in production activities	—	• Continue managing water use	• Expanding network of groups making efforts to achieve harmony with nature • Maintained biodiversity-model green spaces • Enhanced PR of activities to achieve harmony with nature	✓
		9. Promote activities for preservation of nature and biodiversity	—	• Promotion of "connected" initiatives	• Ongoing measures to prevent environmental near misses	✓
	Environmental management	10. Promote activities for zero abnormalities and complaints	Abnormalities/complaints: 0/year	• Implement strict management to achieve 80% or below of regulation values set by environment-related laws • Promote prevention activities	• Ongoing "Aichi Steel Group Environmental Study Group" with domestic subsidiaries • Ongoing environmental audits • Established regulations for managing chemical substances in products	✓
		11. Enhance consolidated environmental management	—	• On-site inspections of domestic subsidiaries at "Aichi Steel Group Environmental Study Group" • Environmental audits of domestic subsidiaries by the General Manager of the Safety & Environmental Division • Enhance chemical substance management system	• Continue monitoring activities	✓
		12. Reduce emissions to contribute to improvement of urban air quality in each country and region	—	• Monitor the adoption of low-emission vehicles	• Obtain information on product chemical substances from contract processors	✓
		13. Promote environmental activities in coordination with business partners	—	• Obtain information on product chemical substances	• Expanded tool use (partial expansion in Japan and overseas)	✓
		14. Further reinforce global employee environmental education and awareness activities	—	• Trial environmental risk prediction training tools	• Continuous publication of environmental reports and enhancement of content • Enhancing environmental communication activities	✓
		15. Ensure active disclosure of environmental information and enhanced communication activities	—	• Continuous publication of environmental reports and enhancement of content • Enhancing environmental communication activities	• Factory tours to demonstrate how we cope with environmental requirements • Permanent product displays at administration building Visitor Center • Ongoing exchanges with local communities: the area around Head Office, and the Kariya district	✓

Note. Incomplete action items will be addressed through new equipment upgrades and adoption of operational improvements.
*1 Environment Management System *2 Changing truck transport to rail and sea transport with low-environmental impacts
*3 Recycled abrasives made from by-products of the steel making process

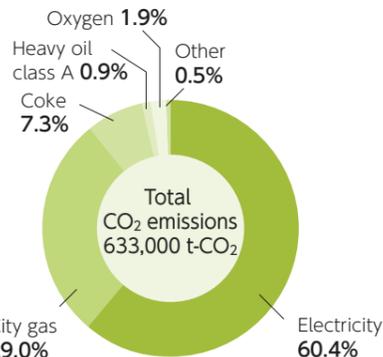
Initiatives for building a low-carbon society Website

Fiscal 2019 targets and results

Based on the "Aichi 2020 Environmental Action Plan," we pursued reductions in carbon dioxide to achieve the targets of "The Japan Iron and Steel Federation's Commitment to a Low Carbon Society" (Phase 1). Total CO₂ emissions were reduced through a combination of reduced production and improved operations.

Total CO₂ emissions
633,000 t-CO₂/year
 (-48,000 tons year-over-year)

Breakdown of energy used in fiscal 2019 (CO₂ emissions)



Factors behind changes since last fiscal year

Improvement factors	
1.Reduced energy consumption due to reduced production	55,300 t-CO ₂ /year
2.Reduced energy consumption due to improved operations through optimization of steel making materials	1,800 t-CO ₂ /year
Total	57,100 t-CO₂/year

Hindrance factors	
1.Increased energy consumption due to reduced production and the resulting drop in steel making efficiency, etc.	7,500 t-CO ₂ /year
2.Increased energy consumption due to reduced production and the resulting drop in rolling operation efficiency	1,600 t-CO ₂ /year
Total	9,100 t-CO₂/year

Energy saving through logistics optimization

In accordance with the Energy Saving Act revised in April 2006, we have been working on efficient environmentally-friendly logistics optimization activities after understanding the flow of distribution and reviewing issues.

More specifically, we are visualizing off-premise logistics routes and volumes, and promoting logistics improvements

from the perspective of streamlining routes, modal shifts (from land transport to sea transport), and improving loading rates.

From fiscal 2006 to 2019, we achieved a 17% reduction in CO₂ emissions per unit from logistics.

Measures to develop a recycling-based society Website

Contributions to end-of-life car recycling

In accordance with the End-of-Life Car Recycling Act, which came into effect in 2005, the Toyota Group has been working towards total recycling. Aichi Steel is cooperating with Toyota Metal Co., Ltd. to improve recycling and develop recycling technology for glass parts, which have been the most difficult.

We introduced silica sand into steel making slag generated in electric furnaces as a molten slag cooling down material*,

but we focused on the similarities between silica sand and the glass components and made it possible to achieve the same effects by mixing silica sand with waste glass, and it is now possible to recycle waste glass as a car recycling sub-material.

As a result, the end-of-life car recycling rate increased to 99.8%.

* Molten slag cooling down material: A car recycling sub-material that is added to control the slag components, reduce the temperature as a cooling material, and curtail explosive boiling.



▲Waste glass from cars was previously difficult to recycle due to its specialty components and color

Measures to promote harmony with nature Website

Participation in "All-Toyota Green Wave Project" activities

Aichi Steel is participating in the "All-Toyota Green Wave Project" activities being implemented by the Toyota Group and other affiliated companies as part of efforts to coexist with nature. This project includes a range of activities to "connect communities toward harmony with nature." We are undertaking activities that contribute to restoration of ecosystems by connecting people with other people and activities and linking habitats.



▲Participation in All-Toyota activities (maintenance of Izu-numa, a wetland area registered under the Ramsar Convention)



Forestation to create a forest for beetles

Since fiscal 2012, we have been creating a forest for beetles. We have been planting a broadleaf forest in about 20,000 m² of Nakashinden green spaces around our plant and creating an environment in which beetles and other creatures can live their natural life cycles. We have been working with the Chita Peninsula Ecosystem Network Council and members of the Student Action Committee NPO to grow the trees. In fall every year, we also hold a large harmony-with-nature event called "Mori Mori event" where employees and their families participate in various activities, including programs held in collaboration with other organizations and companies, tree cultivation activities, release of rare medaka (Japanese rice fish), and planting of wheat.

We have also started new initiatives in addition to the

Nakashinden green spaces. We are currently developing an ecosystem network across the entire Chita Peninsula, cultivating trees using bamboo charcoal from bamboo groves we are maintaining at the town of Mihama, and an initiative in collaboration with the Higashiura Natural Environment Learning Forest to jointly research the beetles and foxes that are attracted to, and symbolic of, Nakashinden green spaces.

Number of Nakashinden indicator species

17



▲Cultivating seedlings in area previously planted with trees



▲Aichi Steel Group employees and their families at a "Mori Mori event"



▲Joint activity with the Mihama Town Bamboo Forest Maintenance Commercialization Council



▲Joint activity at the Higashiura Natural Environment Learning Forest

Forest-developing volunteers

We use large amounts of water in our steel production. For this reason, since 2006 we have carried out twice-yearly forest cultivation activities in Nagano Prefecture, which is the source of Aichi Prefecture's service water. We recruit volunteer employees to take part in improvement cutting and thinning activities aimed at creating healthy forests, and in the process deepen our interactions with local residents. In 2019, we signed an Adopt-A-Forest Promotion Program agreement with Otaki Village in Nagano Prefecture to develop a broad area of about 12 hectares of forest into the FOREST OF AICHI STEEL GROUP.



▲Employees who participated in activities in Otaki Village, Nagano Prefecture



▲Forest thinning work

S Encourage the creation of workplaces that are safe and comfortable to improve employee happiness

Social

Priority Issue
2

The Aichi Steel Group is working to create a strong organization by maximizing the potential of individuals through the creation of environments in which diverse human resources can play an active role. This includes not only consideration of a wide variety of anti-discrimination human rights involving nationality, language, culture, age and gender, but also encompasses women, seniors, people with disabilities, and those combining work with child-raising or care-giving.

SDGs relevance



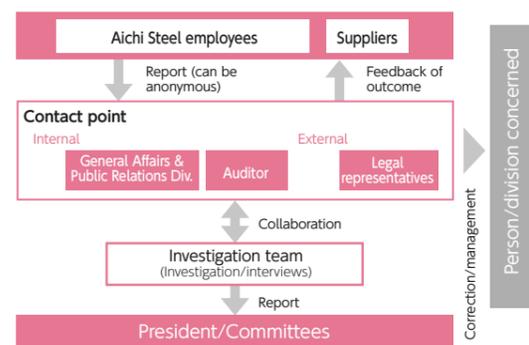
Respect for human rights and creation of comfortable workplaces

Initiatives toward respect for human rights

The Aichi Steel Group states in the Aichi Steel Group Action Guidelines that it will comply with domestic and foreign laws and regulations both in letter and in spirit, and that it will respect human rights, and sets out behavioral standards for this.

Through level-based training and other educational opportunities, we cultivate a corporate culture in which the diversity of each employee is respected. A new Harassment Prevention Committee has been established and workplace study sessions are held with the goal of preventing workplace harassment. The Aichi Steel Compliance Hotline is also in place for use by employees with issues regarding human rights. This system enables employees to consult directly with advising legal representatives.

Aichi Steel Compliance Hotline flowchart



Initiatives toward diversity

Promotion of more active roles for women in the workplace

Aichi Steel considers the promotion of diversity to be an important part of its management strategy, and as part of that is strengthening measures to promote more active roles for women. We continue to proactively hire more female employees, setting goals for the percentage of female hires among regular university hires. We have also developed working from home and career design training for female employees to consider their careers. In this way, we are advancing initiatives to support women in developing their skills. As part of our culture and awareness reform, we are providing education to our managers on the prevention of harassment and we have established a Harassment Consulting Center to help create an environment where employees can balance work with family-life and child-raising duties.

Post-retirement reemployment system

We have in place a Manager Reemployment System and a Nice Senior System, which in principle allow all employees who wish to work after retirement to continue working until they begin receiving their pensions. To make work more enjoyable for our older employees, we are also creating workplaces that are easier to work in and we are reassessing employee benefits.

Promotion of employment for people with disabilities

We have employees with disabilities working in a range of workplaces, from our manufacturing sites to administrative divisions. To enable them to remain at work, it is important to not only provide the appropriate work support but to provide them with work that suits their individual abilities, so at the time of recruitment, we follow a program of practical training and interviews to decide where to assign them. With the majority of people with disabilities working at Aichi Steel being those with intellectual impairments, we hold seminars aimed at developing their capabilities and workshops aimed at helping them acquire internal qualifications as part of continued support to provide them with rewarding careers. We are also systematically training and allocating Vocational Life Consultants for Persons with Disabilities and Job Coaches to provide work-related coaching to develop workplaces where all employees can enjoy working together.



▲Workshops for employees with intellectual impairments are held four times per year. Study sessions and leisure activities not only enable these employees to acquire the knowledge required to work, but also provide them with the opportunity to network with fellow employees.

Human resources development

"Jikotei Kanketsu" training

To improve employee productivity, as part of our efforts to maximize ability and performance, we are conducting "Jikotei Kanketsu" training for team leaders. "Jikotei Kanketsu" is a work approach that emphasizes high-quality work with an efficient arrangement of steps to prevent errors and avoid redos. Through

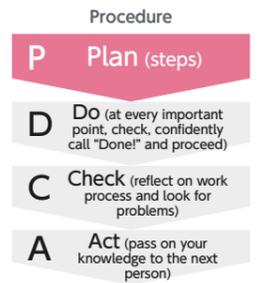
training, we are able to teach the appropriate approach and concrete steps. With the aim of increasing motivation among team members and maximizing performance through efficient work practices, we will continue efforts to teach the "Jikotei Kanketsu" approach going forward.

Specialized technical training

Since August 2016, we have been providing specialized technical training for all skilled workers in forging plants to provide systematic training on the knowledge and skills needed at those plants. To raise understanding of the purpose and necessity of each task, and lead to "Kaizen," the roles of skilled workers, from the fundamentals of manufacturing to the essentials of the facilities that create products and measures for dealing with abnormalities, are divided into three ranks and the training is organized so that workers learn in steps. (The ranks are Rank C for up to five years after joining the company, Rank B for up to 10 years after joining the company, and Rank A for first-level supervisors). The hands-on training combines

knowledge learning and practical skills acquisition. Trainee proficiency is confirmed through written tests, and determinations of whether trainees have reached a level that can be used in practical work are confirmed through presentations on examples of improvements and on-site monitoring. Trainees who pass receive ranked certification. With Rank C training starting in fiscal 2016, Rank B in fiscal 2017, and Rank A in fiscal 2020, we are continuing to expand training activities.

By having all skilled workers undergo this training, a culture of asking "why?" will be created and the handing down of technology and skills to successors will be encouraged.



Number of times held (total)

52

Number of participants (total)

285

Employee safety and health

Efforts to eliminate lost time accidents

We have been conducting activities based on three pillars of safety with the aim of eliminating lost time accidents.

- (1) Safety management:** Searching for intrinsic safety, pursuing the true causes of accidents, and implementing countermeasures
- (2) Development of safety-conscious human resource:** Training to improve awareness through an "anzen dojo training" program, and reflecting on the January 8 accident and teaching company traditions at the "Denshinkan Education Center"
- (3) Creation of safe worksites:** Implementing preventive measures for workplace-specific accidents

We are also improving safety management by improving communication with operators in the factory, listening to problems related to work issues, and implementing "Kaizen" improvements.

Health promotion efforts

We prioritize mental health and lifestyle-related disease prevention, and systematically implement relevant initiatives. As a result, we were recognized for the first time by the Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange under the 2020 Health & Productivity Stock Selection Program. We were also recognized for the third consecutive year as a Health and Productivity Management Outstanding Organization (White 500 category), in a program adopted by METI and Nippon Kenko Kaigi. We continue to maintain and promote the health of our employees, which is a priority issue for the company.



Mental health activities

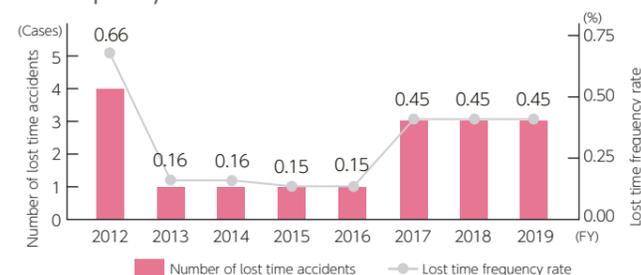
The Aichi Steel Group is working to maintain the mental health of its employees and prevent the development of mental issues, through various educational programs and individualized mental health care based on the results of stress check tests.

We have also provided advice to workplaces that were determined to be at high risk for mental health based on analysis of these results.

In addition, we are enhancing management of risks associated with mental illness in the workplace through regular workplace inspections by mental health staff and regular meetings to share information with labor management staff from the Human Resources Division.

Going forward, we will continue working with supervisors to promote the creation of open workplaces that enable free discussion, to prevent the development of mental issues, and enable early detection of issues and early provision of care.

Number of lost time accidents and lost time frequency rate

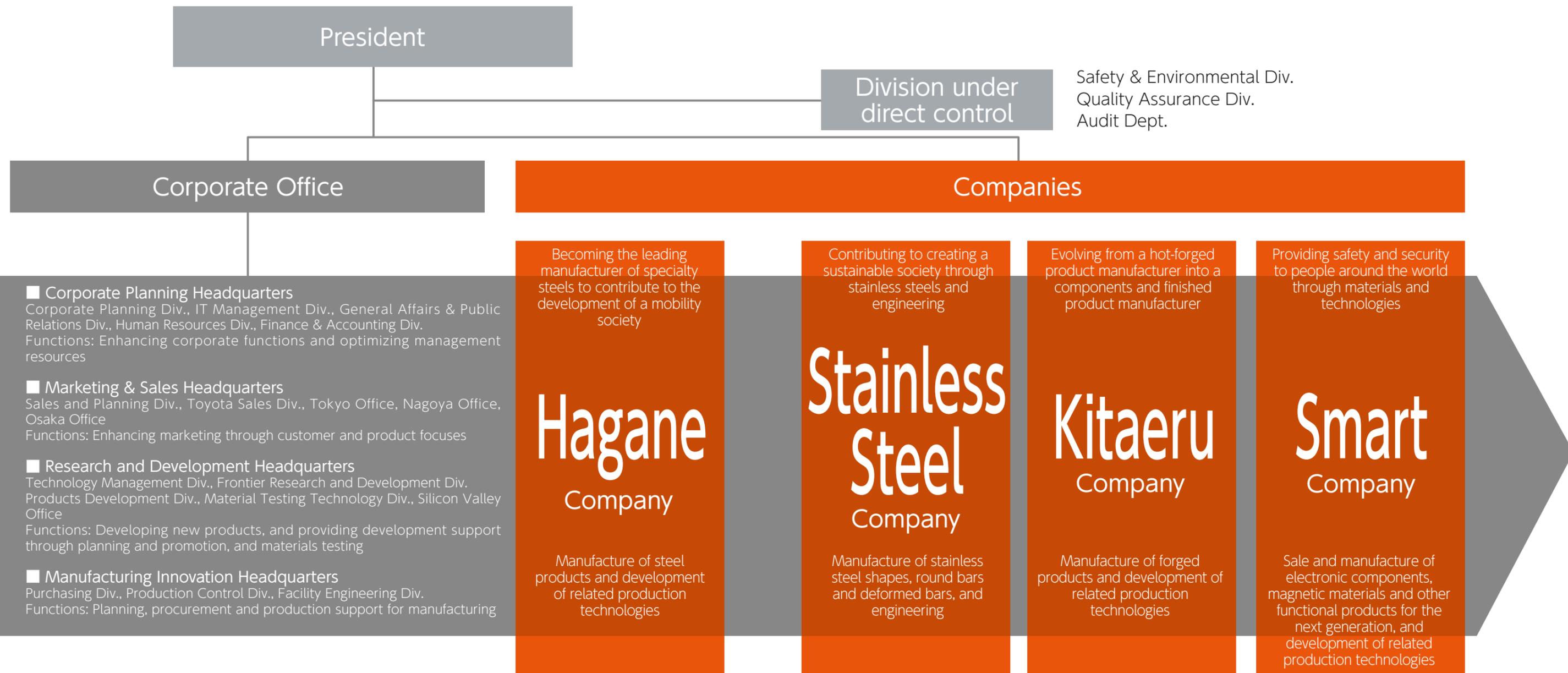


S Create a prosperous society through business reform and provide extremely competitive products

Social

Priority Issue 3 In 2017, Aichi Steel introduced an in-house company system comprising three Companies and three Headquarters. To maintain steady growth in a rapidly changing social environment, we evolved this system into four Companies and four Headquarters in 2020 and started operating under an enhanced organizational structure. Going forward, we will focus on better manufacturing, better talent, and better management of the organization as we actively pursue Vision 2030.

A New Organizational Structure



Corporate Office

With four Headquarters providing groupwide checks and balances of Company operations, we will **provide support to manufacturing with the support of the Companies**. In January 2020, we split our Manufacturing and Future Planning Headquarters into a Research and Development Headquarters and a Manufacturing Innovation Headquarters to increase the speed of commercialization for development projects and to strengthen ties with the Companies.

Companies

Each Company has manufacturing and production technology development functions for their businesses. Through **the strong leadership and decision-making speed of Company Presidents**, we will further strengthen our manufacturing capabilities. With the addition of the Stainless Steel Company, which split from the Hagane Company, we have been operating under a four Company structure since April 2020 to meet the needs of our customers and drive greater profitability.

Hagane Company

Business Overview

Manufacture of steel products and development of related production technologies

Specialty Steel Business Management Div., Hagane Production Engineering Div., Chita Plant

◆Main subsidiaries AICHI CERATEC CORPORATION, OMI MINING CO., LTD., AICHI STEEL LOGISTICS CO., LTD.

Becoming the leading manufacturer of specialty steels to contribute to the development of a mobility society

Business risks and opportunities (business environment and background)

Demand for iron and steel in Japan is expected to fall due to a range of changes in the business environment, from a shrinking population to cheap imports of materials from overseas and the development of new alternative materials.

Specifically, trends towards more compact vehicles and EVs lead to reduced consumption of specific specialty steels, which carries the risk of market shrinkage for Aichi Steel. On the other hand, we see this as an opportunity to expand the value of steel. We have started implementing initiatives to expand the market, including working with customers to **select and develop drivetrain components that are still required on EVs, including gears and shafts.**

We also expect that societal demand for CO₂ reductions will increase further and regulations will become stricter to create a sustainable global environment. Aichi Steel is both a resource-recycling company, using steel scrap as raw materials, and a manufacturer using electric furnaces in an industry that is a heavy user of energy. We therefore have a significant social responsibility to implement CO₂ reduction initiatives. To meet demands from society for innovative and proactive efforts to reduce our impacts on the environment, we are working to **launch Japan's first electric furnace with an exhaust heat recovery system, and eliminate by-product emissions.** We are also conducting a wide range of other initiatives, including **reducing energy consumption by leveraging the strengths of integrated forging and steel making process to shorten manufacturing processes.**

Takashi Ishigami

Managing Executive Officer and Hagane Company President

Profile

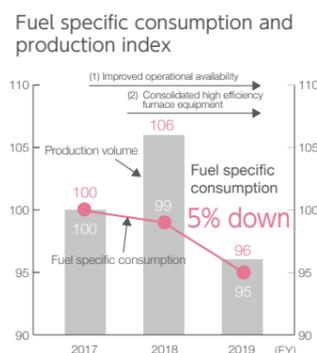
After working as Smart Company President, Takashi Ishigami took on the role of Hagane Company President in April 2019.



FY2019 Initiatives: Results (Achievements)

With a focus on reducing total costs through "management with Genyou Management," we are implementing a range of initiatives around the eight elements of this concept, including consolidating equipment, improving specific consumption, and managing personnel. As an example of consolidating furnace equipment in the rolling process, we have been working with production control to develop production plans adjusting for steel types and sizes, and working to improve operational availability, to consolidate three furnaces down to two. As a result, we have **developed volume-matched costs systems and dramatically reduced fuel specific consumption.**

In the area of drivetrain components for EVs as well, we have constructed a steel heat treatment furnace capable of achieving high quality products and reliable delivery to meet the complex and varied heat treatment requirements of each customer. Also, by consolidating and rationalizing various equipment installed at separate locations within our plants, we have achieved secure and stable supplies of steel, and **have reduced CO₂ emissions.**



Steel heat treatment furnace

Future growth strategies for achieving Vision 2030 (Company Vision)

With demand for specialty steels falling as vehicle structures change, it is important to **build strong foundations** to ensure profitability while continuing to contribute to the development of a mobility society. To achieve continued growth going forward, we will conduct a range of activities in line with the following three priority issues.

Priority Issue 1 Product and sales strategies

In Japan, we are collaborating with our development divisions and Kitaeru Company to develop and manufacture components for EVs. We are focusing on everything from materials through to final processing to leverage the strengths of our integrated forging and steel making systems and further increase the value of our products. We are striving to make inroads into new markets by shortening and streamlining processes, **reducing total costs, and reducing energy and resource consumption.** Overseas, we see opportunities to expand markets for engine-powered vehicles and increase demand for steel in India and the ASEAN region. To outcompete foreign material makers and break into new markets, we entered a business capital tie-up with, and provided technical support to, India's Vardhman Special Steels Limited. We have stationed Japanese representatives there, and we are **providing technical guidance to improve quality and cost competitiveness while building global systems for stable supplies of steel products.**



Priority Issue 2 Manufacturing strategies

We see reducing environmental impacts and costs as important initiatives, especially in steel making processes which are heavy consumers of energy. By driving steel making process reform, which incorporates streamlining of production lines and shortening of processes, **we are working to achieve both energy savings and productivity improvements.** In addition, we are **pursuing even greater cost competitiveness** through iron source reform based on reengineering with scrap iron.

Priority Issue 3 Subsidiary strategies

We are focusing more than ever on relationships with our three subsidiaries (Aichi Ceratec Corporation, Omi Mining Co., Ltd. and Aichi Steel Logistics Co., Ltd.). Through distinct categorization of businesses to enhance collaboration and businesses to enhance independence, we are **providing appropriate support when required** as we work to maximize consolidated profits.

TOPICS

Contributing to the global environment through by-product recycling technologies: AS Shot® Receives Silver Prize at 2020 Aichi Environmental Awards

AS Shot® is a high-strength abrasive made from recycled slag, which is a by-product of the steel making process, using a unique Aichi Steel technology. It is used as a pre-treatment or rust removal before coating in a wide range of applications, including bridges, automobiles, ships and cultural assets. It generates little dust and can be reused many times.

Compared to natural mineral abrasives like garnet, which are widely used universally, AS Shot has excellent hardness and strength, and good durability. It **contributes to reducing environmental impacts on many fronts, including reducing customer usage, waste volumes and treatment, and reducing the amount of garnet that must be mined.**

In recognition of these environmental achievements, it received the Silver Prize at the 2020 Aichi Environmental Awards, hosted by Aichi Prefecture for the 16th time.



AS Shot®

Stainless Steel Company

Business Overview

Manufacture of stainless steel shapes, round bars and deformed bars, and engineering

Stainless Steel Business Management Div., Stainless Steel Production Engineering Div. Kariya Plant

◆Main subsidiaries AIKO CORPORATION, Aichi Techno Metal Fukuami CO. LTD.

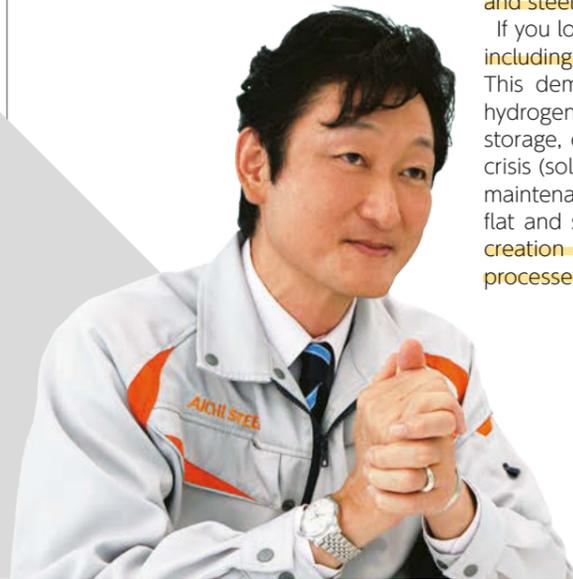
Contributing to creating a sustainable society through stainless steels and engineering

Business risks and opportunities (business environment and background)

Approximately 50 million tons of crude stainless steel are produced globally every year. With global production capacity of 70 million tons annually, this represents an oversupply of about one third. This imbalance between supply and demand is expected to continue for the foreseeable future, so there are concerns that competition between stainless steel manufacturers will increase.

Plates and sheets cutting methods are continually evolving in Japan, while orders for flat bars products continue to decline. Forming technologies for cold-rolled stainless steel sheets and plates and sheets and plates and sheets products are also continuing to evolve, and orders for steel shapes (angle bars, channel bars) are sluggish. Right now the value of hot rolled flat steel and steel shapes in the markets is truly being tested.

If you look at the markets though, there are significant opportunities for us, including new demand for stainless steel to help realize a sustainable society. This demand includes support for a hydrogen society (solutions for the hydrogen energy chain, from manufacturing to liquefaction, transportation, storage, electricity generation and FCVs) and response to an infrastructure crisis (solutions to meet high durability requirements related to infrastructure maintenance and renewal demands). For customers to choose Aichi Steel's flat and steel shapes products, we are proactively driving detailed market creation activities around Value Analysis ideas that help shorten the processes for customers.



Kazuya Fukatsu

Executive Officer and Stainless Steel Company President

Profile

Kazuya Fukatsu took on the role of Stainless Steel Company President in April 2020.

FY2019 Initiatives: Results (Achievements)

In fiscal 2019, we produced 64,000 tons of stainless steel, which was a 5% increase on last fiscal year. With this increase in production volume, we have met our customers' delivery date through enhanced production capabilities in bottleneck processes and flexible production support.

At the same time, we established a new Stainless Steel Business Management Division within the Hagane Company in April 2019 to plan growth strategies for our stainless steel business. Then in April 2020, we established the Stainless Steel Company and launched concrete activities. As a materials and components manufacturing site, we also started up Kinuura Plant No. 2 at Aiko Corporation and started production of stainless steel materials mainly for the civil engineering field. While still in the development stage, we are working to expand capabilities as soon as possible.

In December 2019, we received the Japan Stainless Steel Association Prize for our work on plant manufacture and onsite construction of a Stainless Steel Cubic Connection play structure at Chippubetsu-cho, Hokkaido (received jointly with Tsumura Company). Including welded H-beam steel, 46 tons of SUS304A stainless steel for building structures was used in construction.



Kinuura Plant No. 2, Aiko Corporation



Stainless Steel Cubic Connection play structure at Chippubetsu-cho, Hokkaido

Future growth strategies for achieving Vision 2030 (Company Vision)

While focused on utilizing the various properties of stainless steel for the world, for society, and for people, our aim is to change from a steel manufacturer to an engineering manufacturer providing stainless steel parts, structures and constructure. To reach this goal, we are developing human resources capable of solutions-oriented engineering sales to strengthen our sales capabilities. We are also working to expand our sales systems for materials and components. To strengthen our manufacturing capabilities, we are also promoting technology transfer and innovation to support safe and efficient production systems while investigating proactive investment in our Kariya Plant. We focus on the following two priority issues.

Priority Issue 1 Strengthening our business foundation (managing with Genryou Management and creating workplaces with positive, open culture)

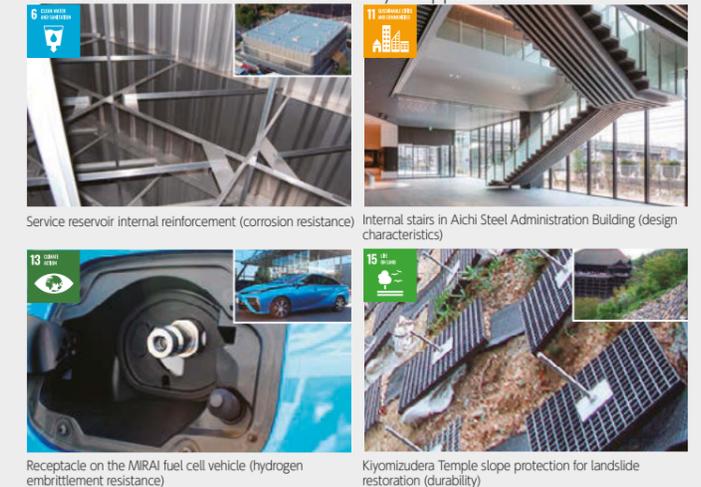
In addition to prioritizing safety in a quality-first manufacturing environment, we aim to reduce production costs through a commitment to total-cost management and human-resource management. We also aim to lower the break-even point, and manage with Genryou Management while maintaining consistent production volumes. We will manage and share information in short cycles and respond flexibly to production volume variations and product shape/dimension variations. We will create a corporate culture around our identity as a new Aichi Steel Company, and create workplaces with positive, open culture where everyone can contribute as we develop solidarity as a United Stainless Steel Team.

Priority Issue 2 Growth strategies (increasing profits through 6 projects)

We are implementing the following six projects to achieve growth for the Stainless Steel Company.

- Project 1 Reviewing product strategies (optimizing the product range and manufacturing processes)
- Project 2 Planning alliances (investigating external ties rather than being closed to them)
- Project 3 Expanding stainless steel parts, structures and constructure businesses (enhancing steel structure engineering functions)
- Project 4 Enhancing ties with consolidated subsidiaries (expanding collaborations with Aiko Corporation and Aichi Techno Metal Fukuami Co., Ltd., etc.)
- Project 5 Visualizing manufacturing processes and improving workmanship (proposing future plant layouts)
- Project 6 Creating new markets (strengthening approaches to the hydrogen society and infrastructure crisis)

Aichi Steel stainless steel used in a variety of applications



Service reservoir internal reinforcement (corrosion resistance)

Internal stairs in Aichi Steel Administration Building (design characteristics)

Receptacle on the MIRAI fuel cell vehicle (hydrogen embrittlement resistance)

Kiyomizudera Temple slope protection for landslide restoration (durability)

TOPICS

Establishing the Stainless Steel Company as an independent entity

The Stainless Steel Company split from the Hagane Company as an independent entity in April 2020. We are located at the same site as the Aichi Steel Kariya Plant, which boasts 80 years of history, including 62 years of producing hot-rolled stainless steel angle bars since becoming the very first Japanese company to produce these products in 1958. With increased expectations for stainless steel to help in the realization of a sustainable society, the creation of our Company has been long-awaited.

To the right is the organizational structure of the Stainless Steel Company. A particular feature of this structure is the positioning of a Stainless Steel Business Strategy & Planning Group, Stainless Steel Market Development Group (which promotes market creation activities) and Stainless Steel AE Group within the Stainless Steel Business Management Division. The Company also integrally manages two manufacturing sites; the Kariya Plant where we manufacture stainless steel shapes and flat steel, and the Kinuura Plant No. 2 (Aiko Corporation), where we manufacture stainless steel materials and components.

In this our first year as a Company "for the world, for society, and for people," we will bring a major transformation as we grow into a profit base for Aichi Steel.



Kitaeru Company

Business Overview

Manufacture of forged products and development of related production technologies

Kitaeru Business Management Div., Forging Production Engineering Div., Forging Plant
 ◆Main subsidiaries Asdex Corporation, AICHI FORGE PHILIPPINES, INC. (AFP), Aichi Forge USA, INC. (AFU), AICHI FORGE (THAILAND) CO., LTD. (AFT), Shanghai Aichi Forging Co., Ltd. (SAFC), PT. AICHI FORGING INDONESIA (AFI)

Evolving from a hot-forged product manufacturer into a components and finished product manufacturer

Business risks and opportunities (business environment and background)

Going forward, it is expected that the Japanese forged product market will shrink. Causes include declining demand for automobiles as fewer people are born and young people choose lifestyles without cars, declining production of forged products as more EVs enter the market, and increasing local procurement practices overseas.

Within this market shrinkage and subsequent restructuring of the forging industry, we will expand our presence through industry-leading production capacity and technical capabilities that utilize the strengths of integrated forging with steel making process, as well as further additions of value and cost reductions. Through manufacturing that exceeds our customers' expectations, we will also create products that enable us to maintain our position as the Company of Choice Globally.

Labor shortages resulting from a dwindling workforce also carry risks for manufacturing. We therefore need to maximize productivity with a limited number of workers, so we will endeavor to increase per-worker productivity and enhance true competitiveness. We will do this through tangible measures such as reducing manpower requirements by automation and increasing equipment productivity and intangible measures such as human resource development and workstyle reform.



Motoshi Nakamura

Executive Vice President and Kitaeru Company President

Profile

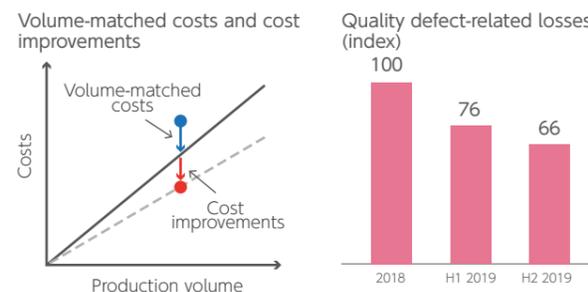
After working as General Manager, Manufacturing and Future Planning Headquarters, Motoshi Nakamura took on the role of Kitaeru Company President in April 2019.

FY2019 Initiatives: Results (Achievements)

We are promoting management with Genyou Management as a way of quickly and flexibly responding, while maintaining profitability, to fluctuations in production due to changes in the business environment. As part of these efforts, in fiscal 2019, we shared our "volume-matched costs" approach with our manufacturing sites to produce only the necessary volumes at the exact costs.

By further improving costs (kaizen in cost) through such initiatives as improving the design of dies to reduce material costs, we were able to maintain profits even when sales volumes decreased. These efforts helped lay the groundwork for creating a stronger company.

As a top priority built on our safety initiatives, we have also conducted activities to reduce quality-related loss. Through collaborative efforts between our administrative divisions, whose job is to identify conditions that ensure product quality, with our manufacturing divisions, whose job is to standardize, maintain and manage those conditions, we have succeeded in contributing to profits.



Future growth strategies for achieving Vision 2030 (Company Vision)

To remain the company of choice for our customers and continue our steady growth, we must continue playing a broad role in society as a company for the world and for the people. We aim to further enhance competitiveness and remain the Company of Choice Globally through the following five priority issues.

Priority Issue 1 Evolution into a finished product manufacturer

Going forward, automakers are expected to pivot to the development of advanced technologies as "mobility companies." Because we are also currently handling machining as part of our customers' processes, we will be able to make a contribution to them by providing high value-added complete components.

Priority Issue 2 New product development

Amid an accelerating shift to next-generation automobiles, we are developing new products with a focus on EV and FCV components to maximize our customer support. To improve functionality and reduce costs we are leveraging the strengths of our integrated forging with steel making process and working on development with customers, from materials through to processing.

Priority Issue 3 Building many models production system

To contribute to a stable supply chain for our customers, even when the industry is going through a restructuring, we have to be able to produce all types of components. With a focus on industry trends, we will investigate and develop the means and equipment able to efficiently produce many different products.

Priority Issue 4 Strengthening company connectivity on a global basis

To continually manufacture the products of choice for our customers in Japan and overseas, and meet their need for high quality and low cost, we need to achieve the same level of manufacturing capabilities globally. While further improving and standardizing our manufacturing capabilities in Japan, as the "mother plant," we will work to expand and implement those capabilities in our global sites. At the same time, we will further strengthen company connectivity to take the entire Group to the next level through relationships of mutual learning.

Priority Issue 5 Environmental measures

To reduce CO₂ emissions and contribute to a sustainable global environment, we will improve our facilities by improving the efficiency of our material heating equipment and improving the combustion efficiency of our heat treatment furnaces to reduce energy consumption. Leveraging the technical strengths of our integrated forging with steel making environment, we will also develop components that enable to reduce heat treatment process to establish forging processes that are highly energy efficient.

TOPICS

Implementing the Aichi Way with the President taking the lead

By putting the Aichi Way into practice, our President is playing a central role in creating a corporate culture that enables everyone to work together and overcome any difficulty.

In addition to regular onsite inspections of tasks accomplished in manufacturing (tradition of Genba-ism), we are using business results briefings and other opportunities, offering words of thanks directly to employees (appreciation), and sharing examples of improvement using originality and invention in our workplaces (creativity). Through these and other measures, the President and employees are always united in their activities to create a strong organization. In this way, we have fostered a culture that enables every employee to play a role in addressing challenges across the Company, which has also enabled us to quickly respond to supply issues caused by COVID-19.



President giving guidance directly in the workplace

Smart Company

Providing safety and security to people around the world through materials and technologies

Business risks and opportunities (business environment and background)

With applications of CASE technologies in the automotive industry expected to increase going forward, being able to respond in a timely manner is an urgent issue. We will be most active in the autonomous and electric fields, where we contribute to realizing the next-generation mobility society. In the autonomous field, we are working to commercialize our GMPS autonomous driving support system using magnetic markers, which will help reduce traffic accidents and provide modes of transportation for use in depopulated areas. In the electric field, we are working to manufacture power card lead frames as heat-dissipating components of EVs, and to develop the main motors for EVs using MAGFINE®, Dy-free bonded magnets that do not use heavy rare earth materials.

At the same time, interest is growing for the SDGs as targets for achieving a sustainable world. In this modern age, companies are expected to not only pursue profits but also provide value by helping to address social issues. One of our strengths is that we operate many SDGs-related solutions businesses that extend beyond the confines of the automotive industry. As a member of the global community, we will create value by setting concrete SDGs targets and working to develop new technologies and manufacture innovative products.

Katsunori Kojima

Managing Executive Officer and Smart Company President

Profile

After working as Kitaeru Company President, Katsunori Kojima took on the role of Smart Company President in April 2019.

FY2019 Initiatives: Results (Achievements)

To become a stronger organization as a profit center for Aichi Steel, we have been implementing our policy of managing with Genyou Management through efforts such as improving productivity and reducing fixed expenses. We have also been enhancing our sales capabilities through efforts such as building a global sales network. In this way, we have been able to strengthen profits and our business foundations while meeting our annual targets in all our businesses.

In terms of CASE support, we constructed a second production line at our Gifu Plant with a view to expanding demand for power card lead frames, the essential heat-dissipating components of EVs. We almost tripled our fiscal 2017 production capacity, including at our Chita Plant which also handles these products, in part as support for business continuity planning. This has enabled us to provide high quality products in a reliable and timely manner. We have also been working toward commercialization of our GMPS autonomous driving support system using magnetic markers. In fiscal 2019, we verified problems and built knowledge through a series of 15 trials conducted in specific environments, including bus rapid transit (BRT) systems and airports.



Second production line at Gifu Plant



GMPS trials

Business Overview

Sale and manufacture of electronic components, magnetic materials and other functional products for the next generation and development of related production technologies

Smart Business Management Div., Sensor Business Dept., Magnet Business Dept., Electronic Components Business Dept., Smart Production Engineering Div., Higashiura Plant, Gifu Plant, Seki Plant, Electronic Components Plant
 ◆Main subsidiaries Zhejiang Aichi Mechanical & Electrical Co., Ltd. (AME), Aichi Magfine Czech s.r.o. (AMC), Aichi Magfine Technology (Pinghu) Co., Ltd. (AMT), Aichi Europe GmbH (Ae)

Future growth strategies for achieving Vision 2030 (Company Vision)

To contribute to next-generation mobility and smart society through high performance materials, we will steadily grow our five businesses to become a profit base for Aichi Steel.

From the perspective of the SDGs, we have also identified four areas for value creation—energy, healthy lifestyles, food supplies, and safe public transport systems. By reaching the SDGs targets that we set in each of our businesses, we will meet our responsibilities as a member of the global community.

Electronic components business: Becoming a manufacturer of heat-dissipating components for EVs



We are building stable supply systems to meet growing demand for power card lead frames for EVs. We are also developing products for related units that are evolving to improve energy efficiency, with the goal of contributing to the field of energy.

Magnet business: Becoming an innovative manufacturer able to make component-oriented proposals



We aim to become a manufacturer able to propose complete components by combining direct injection molding technologies with our in-house capabilities for development and manufacturing of magnetic powder materials. As part of this goal, we are developing energy-efficient main motors for EVs in particular. By using MAGFINE® Dy-free bonded magnets that do not use heavy rare earth materials, we will improve natural resource usage efficiency and contribute to the field of energy.

Dental business: Providing dental appliances to improve the quality of lives



We will contribute to healthy lifestyles by strengthening sales of dental magnetic attachments through alliances with industry leaders, and by developing new products to expand the range of compatible implants that more people can use in Japan and overseas.

Sensor and metallic fiber business: Contributing to a safe and healthy society through micro-magnetic sensing technologies



We will promote the use of our GMPS autonomous driving support system using magnetic markers, and the use of ultra-sensitive magnetic MI Sensors at security checkpoints in airports and stations to build safe public transport systems. We will also promote the use of amorphous wire metallic fiber products in medical devices as part of our contribution to healthy lifestyles.

Iron fertilizer business: Expanding globally as a food solution



Iron has been confirmed to be effective for the one-third of cultivated land globally that is alkaline, which tends to be iron-deficient and makes growing crops difficult, and against citrus greening disease, which is a citrus-specific disease spreading globally. Utilizing the achievements and know-how we have built up developing iron fertilizer for improving iron-deficient plants in Japan, we are continuing our development with the hope of solving this global soil problem, which will contribute to stable food supplies.

TOPICS

MAGFINE®, contributing to the SDGs

MAGFINE® Dy-free bonded magnets have a strong magnetic force. In combination with our own direct injection molding technologies, they are helping improve the performance of motors and reduce their size and weight. Also, because they do not use dysprosium (Dy), which is a heavy rare earth material, they also help avoid resource risk. With these magnets recently being used in drone motors, we have been recognized for helping solve the problem of labor shortages in logistics and agriculture, receiving the Monodzukuri Nippon Conference Joint Chairman's Award at Nikkan Kogyo Shimbun's Cho Monodzukuri Grand Award for Parts. We were also selected to be included in the Ministry of Economy, Trade and Industry's Global Niche Top Companies Selection 100, which recognizes the uniqueness and importance of this technology. Going forward, we will apply the MAGFINE® value to a wide range of fields as we work toward addressing global and social issues and achieving the SDGs.



S Strengthen Relationships with Local Communities, and Actively Contribute to Society

Social

Priority Issue
4

The Aichi Steel Group seeks prosperous coexistence with surrounding communities, is conscious of its role as a "good corporate citizen," and is actively involved with the local community. We place importance on communication through our social contribution activities and other efforts, and by gaining the trust of communities and understanding of our business activities, we strive to be a company that is continually welcomed in the community.

SDGs relevance



Social contribution activities

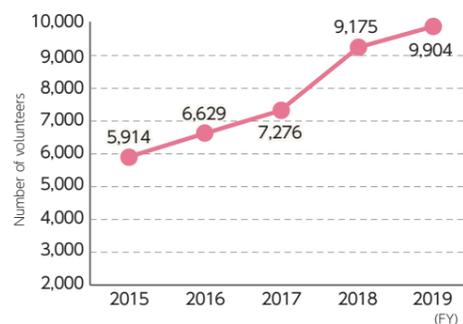
Activity promotion system

In pursuit of harmonious coexistence and co-prosperity, Aichi Steel promotes community-oriented activities focused around four key words: "clean," "green," "creative" and "volunteerism."

The Volunteer Center, located in the General Affairs & Public Relations Division, provides information and promotes educational activities with the aim of supporting employee volunteer activities. It also plans smaller-scale volunteer activities which employees can participate in, and encourages them to experience volunteering for themselves.

During fiscal 2019, we increased participation in activities, and set a new record for the number of participants, through efforts such as an increased number of activities to promote harmony with nature, expanding the sale of bakery goods from welfare facilities across the Aichi Steel Group, and introducing a cafe menu at our lunch room and recreation hall with foods that support regional recovery.

Changes in the number of volunteers in social contribution activities (cumulative)



Number of volunteers in FY2019 **9,904**
(729 person increase year-on-year)

Clean (beautification, safety, security)

In addition to holding the "Nearby roads clean-up campaign" every two months to help clean our neighborhoods, we have been holding Clean Aichi Day every October since 2009, together with employees of domestic and overseas subsidiaries, as one of Aichi Steel's CSR Enhancement Month activities.

We also conduct traffic safety awareness activities as a responsible manufacturer in the automobile industry. One of those activities is "Zero Day" safety patrols that each site continues to conduct.



Nearby roads clean-up campaign

5 events, **128** volunteers



Clean Aichi Day

1,645 volunteers



Traffic safety awareness

2,103 volunteers

Green (planting and environmental conservation)

Twice every year, students of the Aichi Steel Technical Training Institute plant flowers in the roundabout in front of Meitetsu Shurakuen Station, the station nearest our offices, as one of our activities to clean the neighborhood.



▲Aichi Steel Technical Training Institute students planting greenery on the roundabout in front of Shurakuen Station

Creative (education, culture)

Launched in 2010 to mark the 70th anniversary of our founding, every year we visit schools to present a "Lesson about Iron" to students. The project, which is in its tenth year, aims to teach elementary school fifth graders about the local industry of Tokai City, the largest iron-producing region in central Japan. Through a lesson called "Making Magnets," we offer a fun way for local elementary school students to experience manufacturing.



Creative lessons **12** schools, **34** classes

Volunteer support

Website 

Established in 1993, the Aichi Steel Volunteer Fund continued to donate to local social welfare organizations and volunteer groups near our company, and to provide support after the Kumamoto Earthquake. It also provided support to areas affected by Typhoon Hagibis in 2019. Another voluntary and ongoing program that employees can participate in is the "one-coin" donation program, where they donate 100 yen from their pays every month.

Using paid leave and welfare leave, employees also launched a new initiative in fiscal 2019, visiting child welfare facilities on weekdays.

"One-coin" donation

593 volunteers

Support for disaster-affected areas



▲Local specialties from areas affected by the Great East Japan Earthquake on sale at plant open days and other events



▲Special menu in support of regional recovery



▲Typhoon Hagibis Relief Fund (Aichi Steel Volunteer Fund)

Lunchtime volunteer activities



▲Lunchtime volunteering activity to separate fabric from collected ties (Kariya Plant)

Interaction with the community

Events and participation

We hold community meetings in the cities of Tokai (February) and Kariya (December), where we promote exchanges with residents of the local communities and actively participate in a variety of local volunteer activities. We also support activities involving festivals, sports days and other local events in the communities surrounding our sites, and dispatch employees to assist with the operation of those events. We also invite local residents to events held at our headquarters and plants, and work to encourage interaction with our employees.



▲Community meeting (Tokai City)



▶Shiawase Mura: Support for production workshops for parents and children at Momiji Matsuri (Tokai City)

G Increase Compliance Awareness Globally, and Strengthen Corporate Sustainability

Governance

Priority Issue 5 The Aichi Steel Group is undertaking measures to further ensure governance and compliance, enhance awareness of legal compliance, and conduct sound business activities worldwide. We are also revising our management structure and conducting thorough employee training to quickly address risks.

SDGs relevance



Basic approach to corporate governance

The goal of Aichi Steel is to contribute to sustainable development of the Earth and society through sound corporate activities. With this in mind, we aim to manage our company in a way that always enjoys extensive trust of our shareholders, investors and society by establishing and maintaining an organization capable of responding swiftly to

changes in business environments and a fair and transparent management system.

We also fully comply with the Corporate Governance Code, and submit a report regarding disclosure to the Tokyo Stock Exchange. We review our compliance status once a year and make amendments or changes as required.

Corporate governance structure

Aichi Steel uses an Audit & Supervisory Board. This system concentrates authority and responsibility for business execution to the Board of Directors, as the ultimate body for management decision making, and assigns the role of audit and supervision of the Board of Directors to the Audit & Supervisory Board and Audit & Supervisory Board Members, which are independent of the Board of Directors and business execution. We believe this system achieves appropriate management decisions and execution of duties while providing sufficient organizational checks and

balances.

We employ two independent outside directors and two outside Audit and Supervisory Board Members, with extensive experience and broad insights as managers, who supervise and audit the execution of duties of the directors, and we develop systems that function effectively to ensure objectivity and neutrality of management oversight.

Internally, we also develop and properly operate systems to ensure the appropriateness of our operations in line with the Internal Control System Basic Policy.

Corporate governance system diagram



Compliance

Website 

Compliance promotion system

We aim to be a trusted company through the protection of human rights and compliance with laws and regulations, and by respecting public decency. To enhance the overall compliance of our Group, the Corporate Planning Committee—headed by the Corporate Planning Headquarters General Manager—sets and reviews compliance policies on a regular basis.

Based on our internal rules and the Aichi Steel Group Action Guidelines, we strive to improve our compliance with laws and regulations as well as our social common sense. We enhance employee awareness by distributing the Aichi Steel Group Action Guidelines, and compliance manuals.

Compliance promotion system



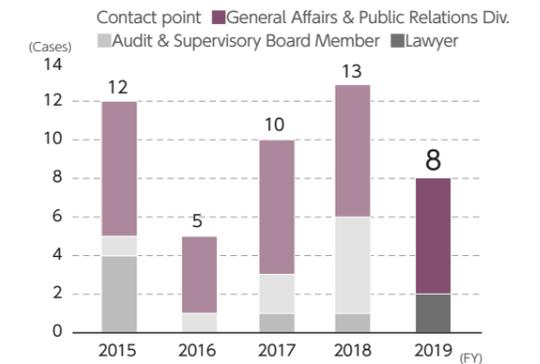
Whistle-blowing system

In fiscal 2019, a total of 8 cases were reported to the Aichi Steel Compliance Hotline, the company's whistle-blowing system.

We will continue taking corrective measures when necessary and inform the president of important matters for confirmation. We will also specify in the Code of Corporate Ethics how the system is operated and rules on the protection of whistle-blowers to ensure that whistle-blowers are protected. We will also continue promoting recognition and awareness of our whistle-blowing system among employees to further improve our internal ability to govern ourselves.

8 cases

Changes in whistle-blowing cases



Compliance promotion activities

To enhance the compliance awareness of employees, we provide education on compliance to all employees. The importance of compliance is also covered in the Action Guidelines workshop held for those promoted to each level within the organization. In addition, other corporate scandal case studies are reported to the Compliance Liaison Meeting to help prevent the recurrence of similar compliance incidents. We also hold CSR seminars on preventing harassment, and on-site compliance training at each plant for the purpose of preventing crime and harassment.

Level-based training

230 participants (8 levels)

CSR Seminar
1 time (Jan)

Compliance Liaison Meeting
4 times
(Apr, Jul, Oct, Dec)

On-site compliance training (crime and harassment prevention)

10 locations
(Oct, Nov)

Fair transactions with suppliers

We periodically hold Business Regulations, Procurement Edition seminars to improve compliance with the Subcontracting Act, which is closely connected to our procurement transactions, and to avoid breaches of the act that is easy to fall foul of.

Risk Management

Risk management system

We have established internal rules, such as risk management rules and disaster prevention rules, and have established a risk management system, so that if we face or predict a serious risk, we can take prompt and appropriate action and ensure sound business operation.

Risk management education

We have newly developed a curriculum for "risk management" designed for training of all job classes, where we explain how risk management is positioned and emphasized in CSR, and we include actual cases of crisis at Aichi Steel to heighten employees' risk awareness and ensure they understand what to do to prevent crisis occurrence/recurrence and what initial response to take when a crisis occurs.

As a result of the accident on January 8, 2016, we have

declared January 8 to be Start Over Day at Aichi Steel to raise awareness of our commitment, confirmed by everyone at Aichi Steel, to preventing such an accident from recurring. We have also established a permanent Denshinkan Education Center to teach and pass on to the next generation the lessons learned from the accident and our other failures, and have started providing special safety training to all employees.

Disaster prevention and risk mitigation measures

We established the Earthquake Preparedness Promotion Committee through which we are developing disaster prevention measures in the event of an earthquake in the Nankai Trough.

2019 was the 60th anniversary of Typhoon Vera, so we also re-examined our response to frequent wind and water damage over recent years. From February 2020, we have been dealing with the novel coronavirus disease (COVID-19).

The main actions implemented to mitigate risk during fiscal 2019 are detailed below.



Companywide disaster drills

We plan and conduct companywide disaster drills twice a year. In fiscal 2019, we conducted the following drills in May and November.

1. Evacuation drills for all employees (assuming a large tsunami warning after an earthquake)
2. Information sharing by members of the companywide Emergency Control Headquarters (assuming typhoons and other natural disasters other than earthquakes)
3. Disaster preparedness seminar by external crisis management consultant

Inspections of disaster preparedness of plants by chairman and president

The chairman and president have launched a program of on-site disaster preparedness inspections with the aim of improving disaster preparedness in each plant.

Response to novel coronavirus disease (COVID-19)

To respond appropriately to this constantly changing situation, we launched an Emergency Control Headquarters as soon as COVID-19 started spreading in Japan.

This cross-company organization continually collects information from inside and outside the company, reviews internal operations, adjusts production, and works to maintain business continuity. We have also established a Support Center to support employees when they experience difficulties. It is implementing the following measures and providing support to prevent the spread of the disease among employees. (These are just some examples.)

- Providing masks from reserves (Japanese and overseas subsidiaries, employees)
- Changing workstyles to prevent infection (changing means of commuting, working from home, reducing business trips, etc.)
- Procuring additional supplies of personal protective equipment (protective gowns, hand sanitizer, masks, etc.)

Information security

Information security promotion system

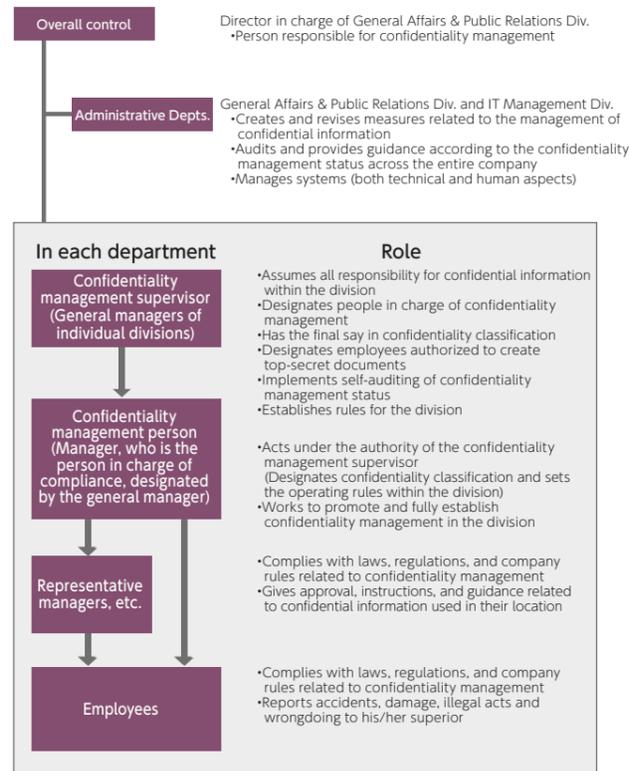
Recognizing the importance of information security management, and in compliance with the All Toyota Security Guidelines (ATSG), we have established internal structures, provided employees with information and education on rules and regulations, and conduct inspections and so on.

The Risk Management Department conducts security inspections to ensure that there are no issues with external email, that employees do not carelessly take internal information outside the office, or that USB memory, cameras, and other devices are handled properly. Along with enhanced checking functionality in the system, we are further enhancing our confidentiality management structure to also provide advice from experts.

We have applied the ATSGs at all Group companies, and are enhancing information security across the entire Aichi Steel Group.

Information security promotion system

Management system and roles of each department



Information security guidelines

We, for security controls and to prevent leakages of personal information, have established rules regarding the procedures for handling documents and data, sending and receipt of email, and management standards and procedures for computers and peripheral devices.

Examples of rules:

- Document control rules
- Information security control rules
- Information disclosure rules
- Private information protection rules, etc.

We carefully handle and strictly control any information held by the Company or by any Group company, and any information obtained from our customers, suppliers or employees, etc., in accordance with our internal rules.

Definition of Confidential Information

All information, products, and facilities, regardless of form, designated as subject to restrictions on disclosure by the confidentiality management supervisor specified under the information security system. Confidential information regarding other companies obtained through proper means is also included.

Information security awareness and education

Through our CSR meetings, management receives updates on current Group information security management levels, as well as issues and ongoing efforts, ensuring a common awareness of information security as a management issue. For employees, a check is conducted using an "information security checklist" for every employee using a personal computer in their day-to-day work, regarding handling of information devices and various related rules. Based on those results, staff responsible for education in each department, along with department heads, provide individual instruction.

We also present public incidents of information leaks in a news format, and issue company-wide alerts when a computer virus or another malicious program is discovered in the Company, in order to raise awareness of security controls.

Number of times security training held **12**

Messages from Outside Directors



Koichi Yasui
Outside Director

Q1. What is your impression of Aichi Steel?

Aichi Steel is a globally expanding and growing company. It has successfully implanted the Aichi Way into the minds of its employees who put it into practice conscientiously, and who work hard toward shared goals through a strong unifying force. I believe this is largely as a result of its culture of care and respect for employees as demonstrated by its recognition both under the Health & Productivity Stock Selection Program and as a Health and Productivity Management Outstanding Organization, and by the signing of a Labor-Management Agreement.

Q2. What do you think of your own role as an outside director?

As a member of management in the past, I always tried to personally visit the front lines of gas supply and sales to see and confirm situations with my own eyes. Even as an outside director, I visit those sites as much as possible to get direct access to the ideas and thoughts of the people working there. I am therefore fully aware of the background and facts behind each situation.

I believe my role is to apply my past experiences, knowledge and expertise to continually question management, to discuss any concerns I might have, and to provide support at all other times.



Q3. What issues do you see, and what expectations do you have, in relation to sustainable growth at Aichi Steel?

With the development of CASE technologies and changing social needs for mobility, it is a very difficult time to predict the future. At the same time, though, there are enormous opportunities for Aichi Steel to grow right now as well. To take advantage of these opportunities, it needs to create value that is unique to Aichi Steel by accurately understanding the social environment and customer needs. It can do this by relying on the unique technical capabilities it has built up as a materials manufacturer, as well as its passion of "steel" and strong spirit. I look forward to continuing sustainable growth for Aichi Steel through the supply of products that contribute to the whole industry, the whole of society, and to the global environment.

Q1. What is your impression of Aichi Steel?

The DNA of manufacturing at Aichi Steel has its roots in the belief that "Great cars are made with great steel." Through the company's culture of honesty and reliability, through the words and character of its employees, I see that DNA being passed down even today. Aichi Steel's strengths are evident in the new innovations it produces and the high social value it provides through a combination of solid technical capabilities, built on its manufacturing tradition, and a wealth of experience.



Yuko Arai
Outside Director

Q2. What do you think of your own role as an outside director?



The airline industry and Aichi Steel have a common mission of supporting safety and security in people's lives. I am able to bring knowledge and experience to this role, together with questions and different perspectives from my time in a different industry, which generates more meaningful discussions in meetings of the Board of Directors.

I have many years of sales experience in the airline industry, so I always value direct communication and building relationships with customers. With a focus on business expansion from global and customer perspectives, and while prioritizing communication through informal meetings with employees, I want to contribute to creating a better organization and developing human resources by promoting diversity.

Q3. What issues do you see, and what expectations do you have, in relation to sustainable growth at Aichi Steel?

Good products and services are all created by people. This is why my highest priorities are eliminating unsafe practices among employees and creating safe and secure working environments.

If Aichi Steel can also leverage the technologies and knowledge it has acquired over many years to further expand its business operations, and support many more people in their daily lives, it will be able to continue increasing corporate value into the future. Aichi Steel's business operations now extend beyond automotive components to also include the fields of agriculture, medicine and transportation, as well as rebuilding social infrastructure. It is also developing many products for the business-to-consumer (BtoC) market. I look forward to seeing the company continue to branch out into new fields, and to maintain steady growth as a manufacturing company supporting the society of the future.

Directors and Audit & Supervisory Board Members

Takahiro Fujioka

President

Attendance at Board of Directors meetings
13 of 13 (100%)

Naohiro Yasunaga

Director and Managing Executive Officer
General Manager, Manufacturing Innovation
Headquarters

Attendance at Board of Directors meetings
13 of 13 (100%)

Koichi Yasui

Outside Director

Attendance at Board of Directors meetings
12 of 13 (92%)

Hiroaki Chino

Audit & Supervisory Board Member

Attendance at Board of Directors meetings
10 of 10 (100%)

Koichi Ito

Outside Audit & Supervisory Board Member

Attendance at Board of Directors meetings
13 of 13 (100%)

Motoshi Nakamura

Executive Vice President
Kitaeru Company President

Attendance at Board of Directors meetings
13 of 13 (100%)

Katsunori Kojima

Director and Managing Executive Officer
Smart Company President

New

Yuko Arai

Outside Director

Attendance at Board of Directors meetings
13 of 13 (100%)

Takashi Goto

Audit & Supervisory Board Member

Attendance at Board of Directors meetings
13 of 13 (100%)

Katsuyuki Ogura

Outside Audit & Supervisory Board Member

Attendance at Board of Directors meetings
13 of 13 (100%)



Financial

Establish a Solid Financial Foundation to Support Stable and Sustainable Growth

Priority Issue

6

The establishment of a solid financial foundation is critical for enhancing corporate value and supporting stable and sustainable returns to stakeholders. With the intention of establishing a solid financial foundation realizing an ROE of 8% or higher as a target for improved profitability, we will steadily and systematically promote effective capital measures and capital investments aimed at perennial growth.



Kazutaka Maeda

Managing Executive Officer
General Manager,
Corporate Planning Headquarters

Message from the Finance Director

1. Improving corporate value through dialogue with stakeholders

Aichi Steel considers that the establishment of a solid financial foundation is critical for supporting stable and sustainable returns to stakeholders. We conduct our business with a deep awareness of the need to achieve an appropriate balance between shareholder returns, investments, and repayment of interest-bearing debt. We are also focused on maintaining financial health and sustainably improving earnings capacity (steady growth) across the company while keeping an eye on ROE and debt-equity ratio indexes.

With corporate value increasingly being evaluated from ESG and SDGs perspectives, we are focused on enhancing and disclosing information in a timely manner to investors and other stakeholders. By accurately explaining current business and financial status as above, as well as future issues, we aim to achieve appropriate evaluations from capital markets and society in general.

We will listen carefully to the opinions and advice we receive and reflect that in our management to continue improving corporate value.

2. Business performance for fiscal 2019

Consolidated net sales for fiscal 2019 declined by 15 billion yen to 242.2 billion yen compared to the previous fiscal year, while operating profits increased by 2.7 billion yen to 13.9 billion yen compared to the previous fiscal year. Sales volumes decreased due to factors including an economic slowdown in China caused by trade friction between the U.S. and China and depreciation expenses increased which put downward pressure on profits. Despite this, we recorded increased profits from decreased income compared to the previous year through lower prices for scrap metal and ferroalloys, and companywide efforts to improve profits.

Operating cash flow was 36.3 billion yen, which was an increase of 22.7 billion yen compared to the previous fiscal year, mainly due to accumulated profits and improved working capital. We are systematically and

efficiently expanding our strategic capital expenditure to help build solid manufacturing infrastructure and achieve a stable profit base, which are two of the objectives established by our Medium-term Management Plan (FY2017–2020). During fiscal 2019, we made capital investments totaling 20 billion yen, mainly for the purposes of increasing production capacity on steel, forged and electro-magnetic product manufacturing equipment, and for streamlining, updating and functionally improving steel and forged product manufacturing equipment.

Aiming to develop and expand new applications and products for our existing businesses by leveraging the advantages of materials, and steadily fostering and strengthening next-generation businesses for the coming smart society, we proactively implemented R&D activities with R&D expenses of 3.7 billion yen in fiscal 2019.

Aichi Steel's targets for fiscal 2020, the final year of our Medium-term Management Plan, are consolidated net sales of 250 billion yen or higher, consolidated operating profits of 20 billion yen or higher, and ROE of 8% or higher. However, the spread of the novel coronavirus disease (COVID-19) had had a severe negative impact on business, which makes it highly unlikely that we will achieve these targets.

On the other hand, we were financially healthy at the end of fiscal 2019, with a debt-equity ratio of 0.38, capital adequacy ratio of 55.16%, and an "A" rating from the Japan Credit Rating Agency, Ltd. Despite ROE for fiscal 2019 being 5.6%, which was higher than the previous year, it is still lower than our target for fiscal 2020, so we consider earnings capacity to be an important issue in the future.

Going forward, we will further improve our earnings capacity through efforts to strengthen our Groupwide management with Genryou Management, through business expansion and strategies that utilize our DNA as a materials manufacturer to drive component development in an integrated forging with steel making process, and through commercialization of new businesses.

3. Working to achieve growth strategies (Vision 2030)

This year, we formulated Vision 2030 (see pages 17–18) with a focus on CASE technologies and other

elements of the major transition that the automotive industry is currently going through. We also clarified initiatives for our various internal functions to implement, and the resources that will be required to achieve those initiatives, in order to achieve our three management guidelines: Contribution to a sustainable global environment; Creation of a prosperous society through business reform; and Employee happiness and corporate development.

Going forward, we will make a range of investments in growth to dramatically reform our business model mix and contribute to the global environment and society. While increasing our ratio of expenditure on improvements in areas such as reengineering for 2030 and beyond, new business fields and capacity enhancement, our capital expenditure will actively target improvements to the global environment and employee workplaces, and enhancement of ESG management, including investing in reducing CO₂ emissions and enriching tangible efforts to further expand the functions of our development divisions.

We will also focus our research and development activities on developing high value-added products by utilizing our potential as a materials manufacturer, actively creating new businesses, and expanding the potential of manufacturing. The key to the success of these growth investments is how appropriately we can distribute our limited resources, but we also have to proceed carefully after thorough examination of the effects on profitability, risk and financial health.

With Aichi Steel approaching a period of considerable turbulence, our role in the Corporate Planning Headquarters is to clarify milestones in future medium-term and annual management plans based on Vision 2030, and to secure and invest resources in a timely and effective manner while accurately monitoring the progress of each new project.

4. Financial management in COVID-19 times

As part of our response to the spread of COVID-19, we aim to ensure the health and safety of our employees while making every effort to avoid inconveniencing our customers' operations.

We have no way of knowing how long the current

tough business environment will continue, but to minimize any subsequent negative impact from the pandemic, we will respond little by little as the situation changes. This response will include creating more efficient operations through initiatives such as consolidating equipment and concentrating production, and getting ready for a smooth transition when production picks up again. We will also implement as many initiatives as possible to improve profits by reducing overtime expenses through workstyle reform and reducing other expenses through zero-based budgeting.

In terms of finances, we believe ensuring capital liquidity is our greatest challenge. For this reason, we are obtaining regular updates of our financial situation, including our subsidiaries, and ensuring the Group's internal financing system is functioning properly. We are also implementing responses that include enhancing inventory management, obtaining early financing, and establishing flexible bank credit facilities.

5. Shareholder returns

Respect for shareholder profits is an important management policy at Aichi Steel. While striving to enrich and strengthen our corporate structures, we are working to increase corporate value and enhance our dividend policy by systematically expanding our businesses. Following this policy, we aim to achieve a consolidated payout ratio of 30% for our dividends while maintaining the internal reserves necessary for future business expansion and taking full consideration of our business performance, financial condition and payout ratios. In line with our policy detailed above, the annual dividend paid for the fiscal year ended March 31, 2020, was 130 yen per share.

To achieve Vision 2030, we will steadily implement these measures and meet the expectations of our stakeholders through appropriate and timely disclosure of financial information.

Key Financial Data (11-year summary)

(Million yen)

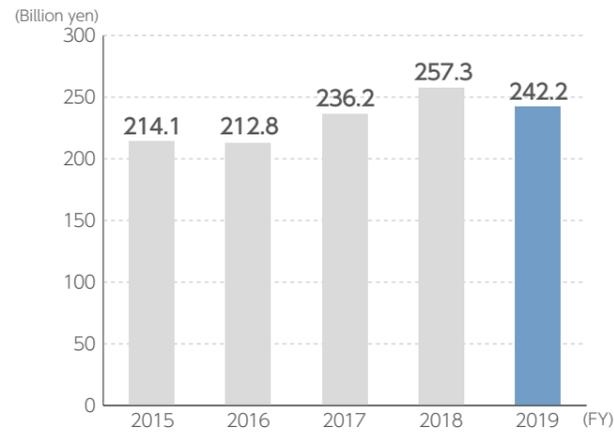
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Profit and loss											
Net sales	174,278	215,453	227,478	217,279	237,420	240,647	214,120	212,837	236,237	257,315	242,262
Segment:											
Hagane Company								96,225	110,974	130,180	121,899
Kitaeru Company								99,599	107,352	109,217	102,018
Smart Company								13,820	14,786	14,627	14,865
Other businesses								3,191	3,123	3,290	3,477
Operating profit	4,313	14,072	8,458	7,332	9,627	10,616	5,883	7,218	11,813	11,119	13,901
Segment:											
Hagane Company								5,653	8,006	9,245	8,970
Kitaeru Company								845	2,747	1,057	3,329
Smart Company								237	348	-39	606
Other businesses								482	710	856	994
Operating profit margin (%)	2.48	6.53	3.72	3.37	4.05	4.41	2.75	3.39	5.00	4.32	5.74
Ordinary profit	3,906	12,873	7,925	7,929	9,810	11,141	5,835	6,863	11,774	11,324	13,776
Profit before income taxes	3,729	11,948	7,884	7,768	9,779	10,693	1,409	8,045	12,371	10,455	13,158
Profit attributable to owners of parent	6,625	15,205	4,246	4,898	5,503	6,023	20	5,084	8,182	6,503	8,543
Profit margin attributable to owners of parent (%)	3.80	7.06	1.87	2.25	2.32	2.50	0.01	2.39	3.46	2.53	3.53
Capital expenditures and R&D expenses											
Capital Expenditures	8,163	20,528	10,649	10,272	12,930	12,752	15,408	20,831	19,020	20,914	20,068
Depreciation Expenses	13,370	12,475	14,447	12,840	12,355	11,833	12,692	12,353	13,818	14,423	15,884
R&D expenses	2,531	2,776	3,337	3,597	3,471	3,538	3,282	3,304	3,777	3,992	3,758
Profitability											
Return on equity (ROE) (%)	6.40	13.45	3.55	3.96	4.17	4.14	0.01	3.60	5.55	4.27	5.56
Return on assets (ROA) (%)	2.87	6.30	1.76	2.04	2.23	2.33	0.01	1.95	2.99	2.30	2.99
Assets, liabilities and capital											
Total assets	242,350	240,217	241,951	238,165	255,259	264,694	251,078	271,763	275,315	290,294	280,380
Net assets	112,376	123,671	126,111	132,436	144,965	161,669	147,534	151,273	160,806	161,889	163,691
Capital adequacy	107,487	118,682	120,786	126,323	137,592	153,316	139,344	143,024	151,891	152,638	154,647
Capital adequacy ratio (%)	44.35	49.41	49.92	53.04	53.90	57.92	55.50	52.63	55.17	52.58	55.16
Interest bearing debt	78,722	57,773	58,983	51,243	52,046	44,915	37,447	54,598	47,317	59,618	59,445
Debt-equity ratio (Ratio)	0.73	0.49	0.49	0.41	0.38	0.29	0.27	0.38	0.31	0.39	0.38
Cash flows											
Cash flows from operating activities	19,427	19,787	11,164	27,757	14,992	19,336	25,193	13,350	13,164	13,580	36,308
Cash flows from investing activities	-8,288	-17,445	-14,067	-11,867	-11,993	-13,565	-12,122	-19,677	-20,954	-19,765	-24,517
Cash flows from financing activities	3,717	-22,848	-741	-10,198	-1,911	-10,158	-9,466	15,231	-9,509	9,035	-3,290
Investment indicators											
Net profit per share (Yen)	337.69	774.89	216.21	249.37	279.94	306.25	1.02	258.34	415.71	330.38	434.05
Net assets per share (Yen)	5,478.53	6,044.28	6,148.61	6,430.50	6,995.84	7,794.08	7,080.24	7,266.42	7,716.77	7,754.80	7,857.00
Dividends per share (Yen)	80.5	100	100	100	100	100	100	100	120	120	130
Payout ratio (%)	25.2	12.9	46.3	40.1	35.7	32.7	—	38.7	28.9	36.3	30.0
Non-financial information											
Employees (Persons)	4,282	4,351	4,406	4,504	4,613	4,617	4,654	4,773	4,847	4,957	4,912

*1 Every 10 shares in the Company were consolidated into one share effective of October 1, 2016. Net profit per share, net assets per share, and dividends per share were calculated in anticipation of this share consolidation at the beginning of fiscal 2009.

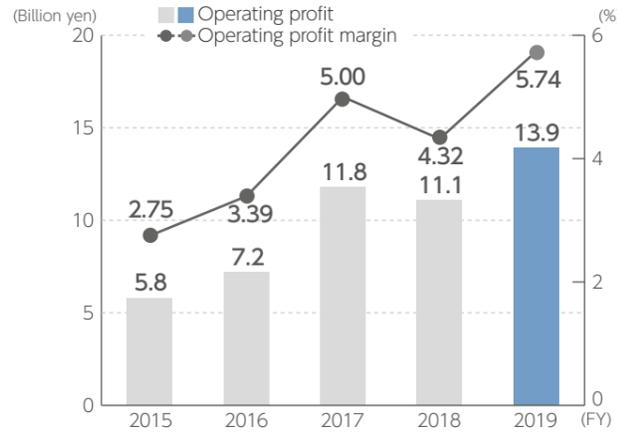
*2 The ASBJ Statement No. 28, Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) came into force at the beginning of fiscal 2018. The key management indicators for FY2014, FY2015, FY2016 and FY2017 represent retrospective application of this accounting standard. Indicators and other information for FY2009, FY2010, FY2011, FY2012 and FY2013 remain as they were prior to application of this accounting standard.

Financial Highlights

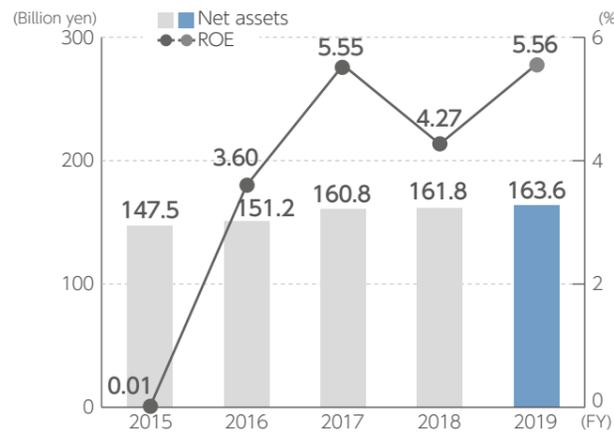
Net sales



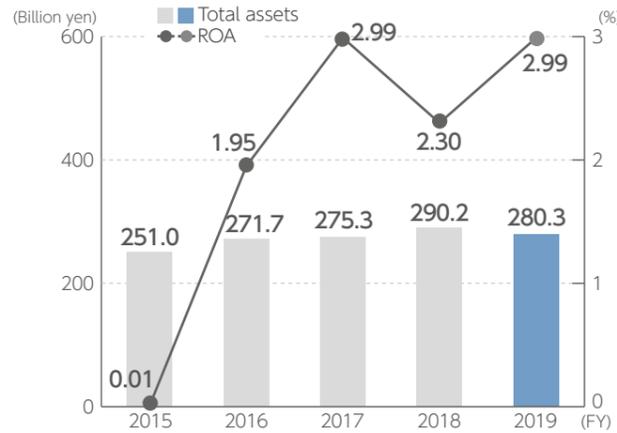
Operating profit and operating profit margin



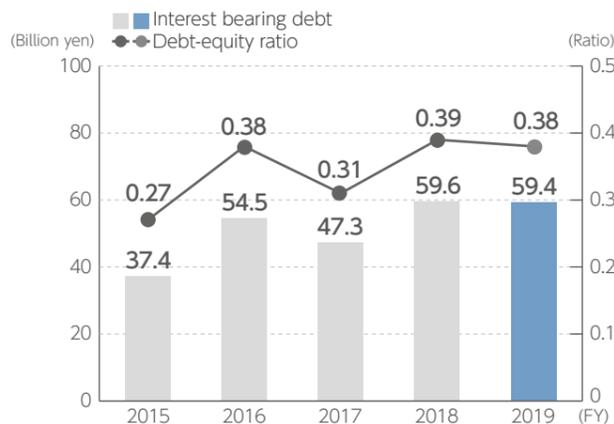
Net assets and ROE



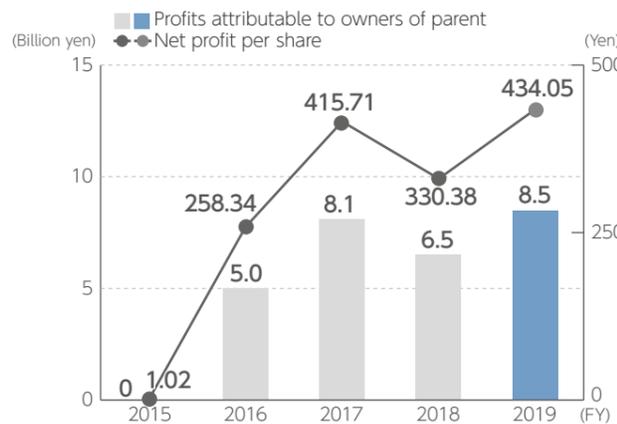
Total assets and ROA



Interest bearing debt and debt-equity ratio

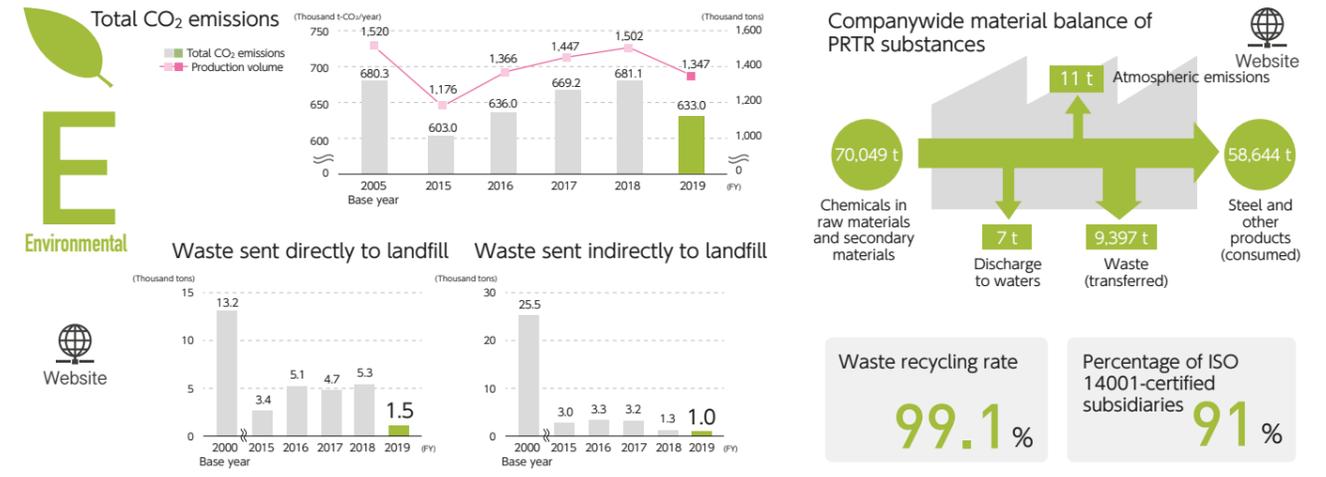


Profits attributable to owners of parent and net profit per share

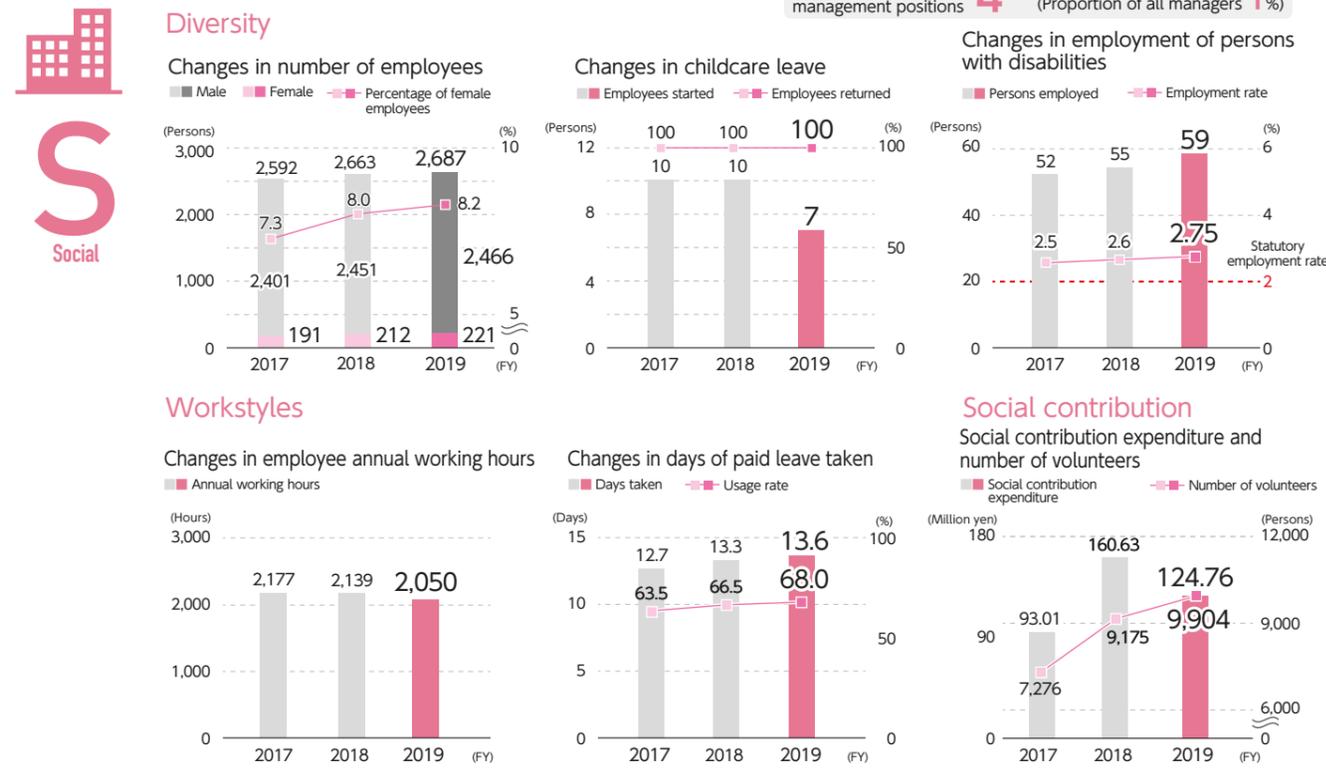


Non-financial Highlights

E Environmental



S Social



G Governance



AICHI STEEL

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