

# FY2024-26 Medium-term Management Plan

In May 2024, our Group announced its Medium-term Management Plan for the period FY2024-26, starting in April of the same year. Returning to our founding spirit of "serving the world," we aim to achieve the value we can provide to society, as set forth in our Vision 2030 as one of our management guidelines. By meeting the expectations of society and our customers, we will continue to reform so that we can achieve further growth.

## Business Environment Awareness and Issues

### Business environment

- Growing public interest in sustainability (carbon neutrality, electrification of blast furnaces)
- Geopolitical risks such as US-China economic confrontation
- Market growth in Global South and other emerging markets
- Progress in electrification of vehicles
- Aging populations in developed countries

### Issues

- Promptly identifying changes in business environment and accurately addressing customer needs
- Promoting business reinforcement and growth measures in response to progress in electrification
- Contributing to and commercializing solutions to new social issues

## Basic Policy

In the next three years, we will prove again that we are the kind of "good company" and "growing company" that society needs, thereby maximizing our corporate value.

- 1 Strengthen earning power and consolidate growth strategy
- 2 Promote creation of social value

## Management Targets

Aiming to achieve both economic and social value, we have identified and set targets for operating profit and key non-financial and financial indicators for maximizing corporate value.

Consolidated operating profit: 15 billion yen

Non-financial Capital		
Human Capital	Morale Survey (Are you proud to work at Aichi Steel?)	4.0 pts
	Recreational get-together participation rate	100%
Manufacturing Capital	Serious quality issues/No. of serious accidents	0 cases
Natural Capital	CO <sub>2</sub> emission reduction rate (compared to FY2013)	35%
Intellectual Capital	No. of patent applications	50 cases
	No. of patents in force	50 cases
Social Relational Capital	Individual shareholder ownership ratio	30% or more
Financial Capital		
(1) D/E ratio (debt-to-equity ratio): 0.3-0.5x   (2) ROE (return on equity): 4.0% or more   (3) PBR (price-to-book ratio): 0.5x or more		

## Positioning of Medium-term Management Plan

We regard the three-year period from FY2024 as the second stage of our growth acceleration, as we achieve the value we can provide to society, as set forth in our Vision 2030 as one of our management guidelines.



## (1) Strengthening earning power and consolidating growth strategy

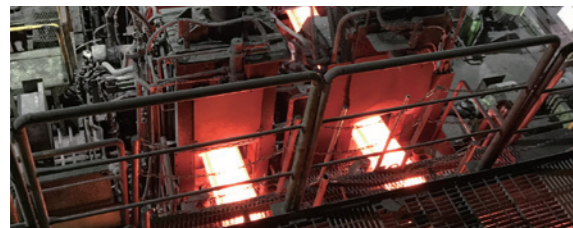
Leveraging our strength in manufacturing, we will maximize the potential of our core businesses of specialty steel and forged products to strengthen our stable earning power, and accelerate growth in businesses such as stainless steel, electronic components, and functional materials. We will strengthen our customer proposal capabilities by establishing an integrated sales and development system. By identifying customers' changing needs accurately and responding quickly, we will cut the time from development to market launch of new products and technologies, and increase profitability through early commercialization.

### Policies and Initiatives

#### Core businesses

##### ● Ensuring sustainable profitability of the specialty steel business »p.27

- Promoting Steel Reborn to contribute to a decarbonized society through specialty steel (Implementing small-section continuous casting technology)
  - ... Reducing CO<sub>2</sub> emissions by process omission
  - ... Ensuring upward elasticity by increasing the variety of producible products
  - ... Studying concept of energy-saving electric furnaces to achieve CO<sub>2</sub> emission reduction



Small-section continuous casting equipment under development

##### ● Development of next-generation forging methods in light of reorganization of forging industry »p.31

- Maintaining the supply chain for hot forged products for automobiles by developing general-purpose sequential molding technology and line design to support high-mix low-volume production

##### ● Promoting a global strategy for specialty steel aimed at growth markets »p.27

- Expansion of steel business in India, a promising growth market
  - ... Supporting Vardhman Special Steel to improve quality and expand production potential (Obtained certification for gear steel from Japanese automakers)
  - ... Leveraged Vardhman Special Steel to promote global sales expansion in India and ASEAN markets

##### ● Response to progress in electrification of vehicles »p.31

- Developing high strength gear steel optimized for electric vehicles
- Strengthening activities to win orders for new products such as electric axle parts



Shaft (left) and gear (right) for electric axle used in electric vehicles

#### Growth businesses

##### ● Contribution to society through stainless steel »p.29

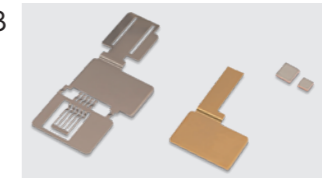
- Increasing production potential by 30% to meet demand for infrastructure renewal (compared to FY2023)
- Expanding order volumes by strengthening proposal capabilities utilizing engineering functions



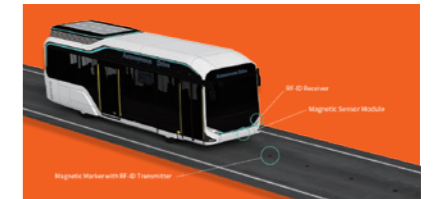
Fire extinguishing system for a tunnel on the Shinjuku Route of the Shuto Expressway where our stainless steel is used

##### ● Promoting growth of smart businesses »p.33

- Electronic components (lead frames for power cards)
  - ... Increase production potential to 1.8 times the current level to expand profitability
- GMPS ... Promote commercialization by expanding penetration into the on-premise logistics market
- Magnets ... Expand business by developing and increasing sales of circular magnetic powder
- Iron fertilizers ... Expand business by focusing on overseas markets and strengthening cooperation with sales partners



Electronic components supporting power semiconductors (lead frames for power cards)



GMPS, a magnetic positioning system to estimate the exact location of autonomous vehicles

#### New business

##### ● Early launch of new business through proposal-based sales with integrated sales and development

- New Business Development Dept., Marketing & Sales General Headquarters: Searching for new needs and markets and promoting commercialization of developed products
- EV Motor Elemental Technologies Development Dept., Research and Development Headquarters: Speeding up commercialization in the materials/components field

## (2) Promoting the creation of social value

We create social value through resource circulation based manufacturing, which is one of our strengths, and contribute to the realization of a sustainable society. In this Medium-term Management Plan, we will accelerate activities aimed at achieving carbon neutrality and establishing a circular economy. We will focus on developing challenge-oriented human resources who will be the source of those efforts, and on fostering a corporate culture to nurture them.

### Policies and Initiatives

##### ● Addressing sustainability issues »p.39-

Established the Sustainability Promotion Dept. in April 2024 for the purpose of strengthening our sustainability efforts by integrating them with our management strategy.

##### ● Fostering a "firm but friendly" culture of nurturing people »p.45

Maintaining an environment where our human resources, our greatest asset, can grow naturally

##### ● Financial strategy for future sustainable growth »p.25

- Increasing cash generation capacity by improving profit margins and streamlining assets
- Actively investing in growth businesses and enhancing shareholder returns

#### Specific initiatives

- Reducing our CO<sub>2</sub> emissions through energy saving and increased introduction of renewable energies, etc.
- Reducing CO<sub>2</sub> emissions through supply chains in collaboration with suppliers
- Contributing by expanding sales of environmentally friendly products such as green steel materials
- Helping to resolve social issues such as human rights, conservation and revitalization of the natural environment, and the circular economy

#### Specific initiatives

- Strengthening human resource development through problem-solving
- Improving employee engagement through enhanced inner branding

#### Specific initiatives

- Streamlining assets by selling cross shareholdings etc.
- Reviewing dividend payout ratio and enhancing shareholder returns through share buybacks