

AICHI STEEL REPORT 2024

◆ AICHI STEEL INTEGRATED REPORT 2024 ◆



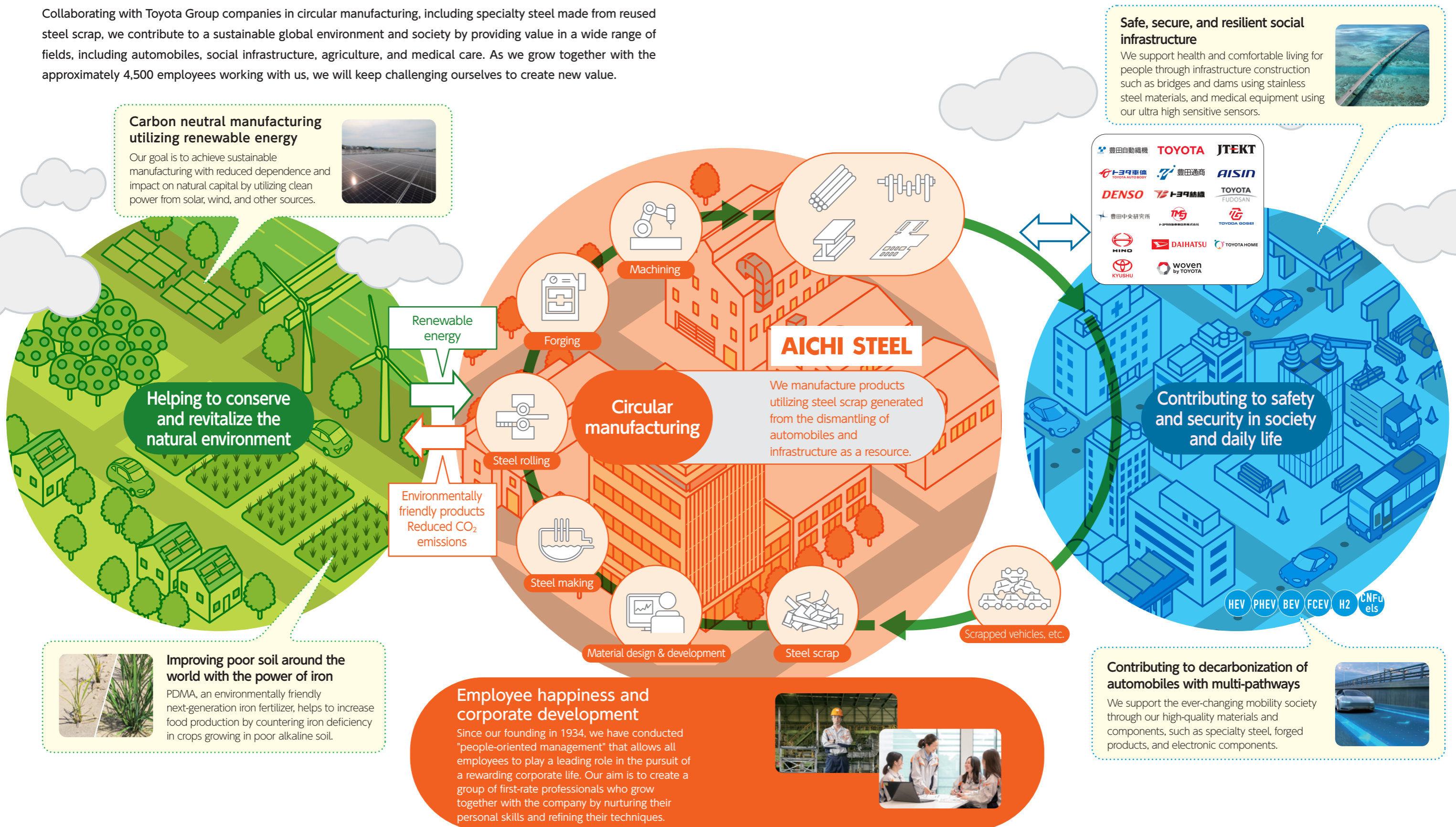
AICHI STEEL Released: September 2024

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Aichi Steel Group's Sustainability

Collaborating with Toyota Group companies in circular manufacturing, including specialty steel made from reused steel scrap, we contribute to a sustainable global environment and society by providing value in a wide range of fields, including automobiles, social infrastructure, agriculture, and medical care. As we grow together with the approximately 4,500 employees working with us, we will keep challenging ourselves to create new value.



Message

Aichi Steel publishes an integrated report every year to provide investors and all other stakeholders with a better understanding of our efforts to sustainably enhance our corporate value.

The AICHI STEEL REPORT 2024 includes our strategy for realizing our Vision 2030 based on the value we provide to society, and the specific financial and non-financial enhancement measures we are taking to support these strategies. Through this report, we hope you will understand that we are a company that solves social issues with materials, always developing ideas for the world and its people and for our customers, from the time of our foundation to the present day and into the future.

We will continue to strive for prompt and accurate disclosure of accurate information to our stakeholders and active dialogue with them. We welcome everyone's frank opinions and requests, which will help make this report an even more useful communication tool for enhancing our corporate value.



Chairman Takahiro Fujioka President Naohide Goto

Philosophy System

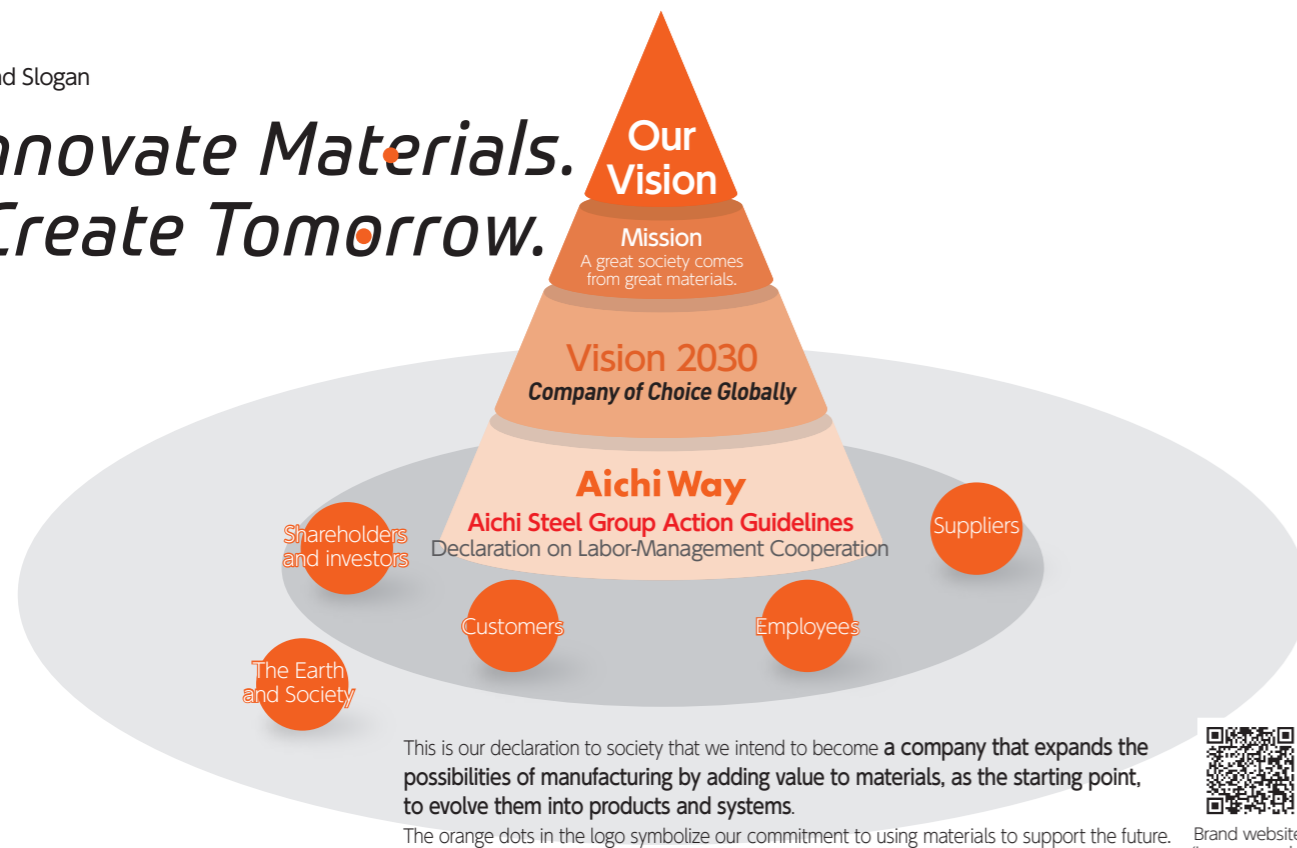
Our Vision

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.

Brand Slogan

**Innovate Materials.
Create Tomorrow.**



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Editorial Policy

This Report aims to promote an understanding of the growth potential of the Aichi Steel Group over the medium to long term. It aims to present, in an easy-to-understand manner, financial information such as business performance and management strategy, and the invisible assets of non-financial information that underpin growth, to convey what the group aims to do, what issues it perceives, and what initiatives it is implementing to address social issues and improve sustainable corporate value, even when the future is uncertain, through business activities of the group.

Accounting Standards

This Report has complied with Japanese accounting standards until FY2019 and International Financial Reporting Standards (IFRS) from FY2020.

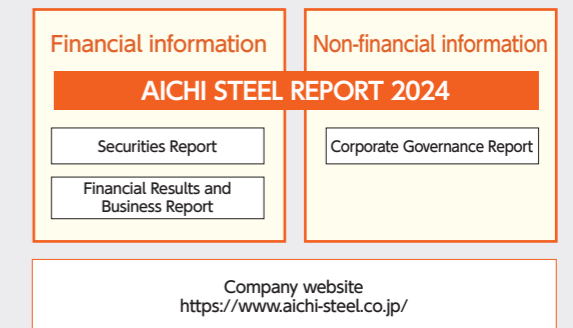
Readers

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

Report Period and Scope

The Report mainly covers activities conducted by the Aichi Steel Group during FY2023 (April 2023 to March 2024). However, some activities outside this period are also explained where necessary.

Reports and Structure



Referenced Guidelines

- GRI Standards · International Integrated Reporting Framework (published by IIRC)
- ISO 26000 (Guidance on social responsibility)

[Important Note about Forecasts]

The business results forecasts in this report are based on judgments and assumptions from currently available information. Actual business results may differ significantly from targets in light of their inherent uncertainty and the potential for fluctuations due to future business operations or changes in internal or external information.

TOP MESSAGE



Naohide Goto
President

Reviewing from basics the measures that serve our customers and the world, and continuing to disseminate them

Learning from past failures, pursuing the essence of our work

In May 2023, Aichi Steel announced that it had shipped some specialty steel materials that exceeded the upper limit of the length tolerance of the customer's required specifications. It is significant to me that this matter was discovered just prior to my appointment as president. My very first task as president was to identify the root cause of this out-of-tolerance steel length and to work on organizational reform to prevent a recurrence.

To get to the bottom of the problem, I spent three months after my appointment talking with all our leaders at assistant manager level and above.

I spoke frankly with them about my view of the out-of-tolerance steel length issue and what I thought we should have done as leaders, and I asked them to give me their honest opinions, too. Through these interactions, I was painfully aware that we had lost the most important thing, our sense of being of service to our customers. I also found there were issues with our organizational structure for ensuring effective internal audits and other checks and balances.

After numerous discussions with the presidents of the in-house companies, a conclusion was reached that "leadership-level measures" and "auditing system improvements" were needed. Based on the recommendations of an outside special investigation committee, we launched our Quality Step-Up Plan Activity in November 2023. Through this activity, we are working to create a more open workplace culture. As president, I am in charge overall, and with our vice presidents and general managers as leaders for promoting activities, we are working to strengthen and improve areas such as awareness reform, HR evaluation systems, and quality assurance functions.

Again, one of the main reasons for the out-of-tolerance steel length problem was, in my view, that we had lost our sense of being of service to our customers. Six months have passed since the launch of the Quality Step-up Plan Activity,

but it will take some time for all members to fully understand our vision for the company and to see it as their own, and for it to be ingrained in their own conduct. As president, I will continue to review what "being of service to our customers" means and communicate this to our members.

Responding flexibly to changing circumstances

One of our main customers in the specialty steel electric furnace industry is the automotive industry. In this relationship, demand for specialty steel and forged products rises along with increased automobile production, leading to sales growth. Because of this connection, it is vital that we fulfill our responsibility to supply products that meet the steady demand of the automotive industry. This demand became unstable during the COVID-19 pandemic, which had a big knock-on effect on us, too. That said, I believe this was a good opportunity for us to reflect on how we can be more useful to our customers, even when order volumes not steady. The world is going through various changes, such as the transition to a decarbonized society due to climate change and the fragmentation of the international community, as well as the unstable supply and soaring prices of energy and resources. Many challenges need to be overcome to solve this, but few can be accomplished by our company alone. I think we are now in an era where we have to address issues by joining forces with our customers, suppliers, and other stakeholders. Especially in the automotive field, we will work with auto manufacturers and our other business partners to achieve decarbonization through a multi-pathway strategy that offers a wide range of options, from engine-driven vehicles powered by hydrogen or synthetic fuel (e-fuel) to all electric vehicles (HEV/PHEV/BEV/FCEV). The important thing is not only to keep pace with change, but also to have a strong desire to serve our customers by solving their problems and creating what they and the world need. I am convinced that by promoting such initiatives, our company will continue to be needed by our customers (i.e., society) in the future.

For us, collaboration with Toyota Group companies, especially Toyota Motor Corporation, is more important than ever. First of all, from the moment I became president, I have continued to engage in dialogue with the top management of each group company, in the belief that we can be more useful to the world and to the group if we have a better understanding of what is needed within the group and if we share more of our technologies and products with each other. There is still a perception within the Toyota Group that Aichi Steel is only a specialty steel manufacturer. Through dialogue, therefore, we make Toyota Group companies aware of our strengths and proprietary technologies other than specialty steel, while also striving to identify the issues facing each of them.

The external environment is also changing increasingly rapidly. An example of this is the electrification of automobiles. Demand will certainly increase over the medium to long term, but there are variations among countries and regions, and the overall pace of growth is slower than previously expected. Since electric vehicles use less specialty steel per vehicle, we have to consider new ways in which we can be of service, but we also have to be more flexible, taking into account social conditions such as the policies of different countries, the business strategies of automakers, and the market trends of engine-driven vehicles in order to determine "what is needed and where." The direction of change should become a bit clearer over the next three to four years. I think it is important for us to



accurately identify this direction and prepare ourselves slightly ahead of others. We intend to watch local trends and information carefully and make quick course adjustments as necessary, while keeping an eye on the larger trend of decarbonization.

Everyone committed to the new Medium-term Management Plan

In our FY2021-2023 Medium-term Management Plan, our operating profit target was 15.0 billion yen, versus an actual result of 10.3 billion yen. One reason given for this was a lack of growth in sales of specialty steel and forged products due to stagnant automobile production caused by disruption in the supply chain. We were impacted more than other companies in our industry, as our sales to the automotive industry account for a higher percentage of our total sales. The measures taken were undeniably too slow, because we lacked an adequate mechanism to deal with the sudden and large fluctuations in the volume of orders, which had been stable until then, a situation we had never experienced before. Although we have been engaged in efforts such as passing on price rises in raw materials and fuel to our sales prices, we have not yet moved on to proactive value-adding activities.

On the other hand, we are accumulating more new products and technologies than expected, with results such as potential commercialization of our Global Magnetic Positioning System and iron fertilizer, an agricultural material.

In formulating our new Medium-term Management Plan, we have reflected on our lack of preparation for changes in our external conditions, and conducted our deliberations paying particular attention to the ways in which we should make our structure more resilient to these environmental changes. I believe this needs to permeate the entire company, not only in our organization but also through our day-to-day operations. Reflecting on the problem of out-of-tolerance steel length, we have revised our organizational structure to strengthen our compliance functions, such as by establishing a headquarters directly under the president to ensure independence of our internal audit functions. We are also making significant changes in the way we develop and commercialize new products. Until now, we have conducted development starting with technologies that we owned. Starting from the customer's point of view, we get an accurate understanding of how our materials, components, and technologies, which are our strengths, can help, and propose solutions to social needs and issues that lie ahead, which leads to rapid development and commercialization. Accordingly, we have

established a system in which sales and development work together, integrating everything from product development to commercialization.

The slogan of our new Medium-term Management Plan is "I am a leader of change." In today's rapidly changing world, it is impossible for a company to survive by simply doing what it is given to do. Unless every one of us proactively thinks about what we can do in our own position and acts quickly, our company will be unable to cope with change. We wanted all of our employees to share this idea, so we discussed it with them and reached a decision. As the slogan implies, our first challenge over the next three years will be bottom-up change, with each one of us becoming a leader. We will then learn and gain insight from our experience, increasing the number of colleagues equipped with various problem-solving skills and able to think independently, and building up an organization that is resilient to change.

Continuing to meet customer needs

In view of future demographic and social structural shifts, demand for conventional specialty steel and forged products may be in gradual decline over the medium to long term. Even so, new needs and expectations from customers and society certainly exist, and will undoubtedly remain in the future. For example, the gears for e-Axle used in electric vehicles must be stronger than conventional gears in order to withstand the higher rotational speeds than in engines. In addition, we will carefully consider over the next three years whether we can meet new needs for stainless steel with resistance to hydrogen embrittlement in the energy sector using our existing facilities, or whether drastic investment will be required. In the forged products business, we will also take steps to improve efficiency. Manufacturing forged products requires dies and presses for each type, shape, and dimension. Automobile production also requires many types of forged products, and this will not change as electrification continues to progress. We are developing next-generation forging methods, such as a high-mix low-volume production line that can output a wide variety of forged products from a single unit.

Turning to overseas, we are committed to expanding our business in India, a particularly promising growth market in the Global South, which is seeing remarkable economic growth. In 2019, we invested in the Indian specialty steel manufacturer Vardhman Special Steels Limited. We have been working together on quality improvement and technical cooperation to expand manufacturing potential,



and we will continue to position them as a key partner and strengthen our relationship. Based at our five overseas forging sites (US, China, Thailand, Philippines, and Indonesia), we are strengthening our profitability while being ready to move at any time in response to new demand, supply chain changes, or other factors.

In the stainless steel business, we are proud to be the only company in Japan with an integrated system covering everything from manufacturing to design cooperation, fabrication, and on-site construction. Since we make all our own equipment, we know better than anyone else how to machine and use them. We will utilize this advantage and our proposal-making ability as we work to provide ever more useful services. In addition, we will strive to expand the application of stainless steel in the civil engineering and construction fields to create more demand. With our steel's high durability, corrosion resistance, and excellent lifecycle cost, we will provide the world and people with useful products to repair and renew aging social infrastructure such as road bridges and sluice gates.

In the smart business, we will help promote the electrification of automobiles with lead frames for power cards, for which we have increased our production potential. Thanks to this, they are now being used in all the electric vehicles of our major customers. Leveraging our accumulated technical capabilities in precision machining, surface treatment, and image inspection to further refine our quality and costs, we will maintain and expand our market share by ensuring our products continue to be the most useful. In neodymium magnets, we are also actively trying to be of service by proposing solutions to social issues such as resource conservation and easy recycling that reduce the risks involved in procuring rare earths and other resources.

In new businesses, one product that may be helpful in the future is an autonomous driving support system using GMPS (Global Magnetic Positioning System). This magnetic vehicle position detection system supports advanced vehicle control such as autonomous driving. It does this by detecting magnetic signals emitted by magnetic markers installed on the ground using MI Sensors, ultra-sensitive magnetic sensors mounted on a sensor module, to estimate the vehicle's position with a high degree of accuracy. In partnership with the national and local governments, we have conducted more than 30 verification trials and social installations aimed at the practical



application of autonomous driving. Due to systemic restrictions and other factors, however, I believe more time is needed for the application and commercialization of this technology in so-called open spaces, such as general roads and highways. In closed spaces such as factories and airports, on the other hand, practical application is already on the horizon and the range of application is expanding. First of all, we have begun to make concrete proposals to the Toyota Group, which owns numerous manufacturing plants on vast areas of land and has already begun to introduce the system at some of its plants. As this is an unmanned transport system, we can confidently recommend it not only to improve transport efficiency, but also as a solution to social issues such as labor shortages.

We will also focus on creating more new business. In April of this year, we established a New Business Development Dept. in our Marketing & Sales General Headquarters. We intend to expand the scope of our services and speed them up by proactively cultivating customer needs more than before, and by working in unison with our Research and Development Headquarters

to seamlessly link product planning, development, mass production, and sales.

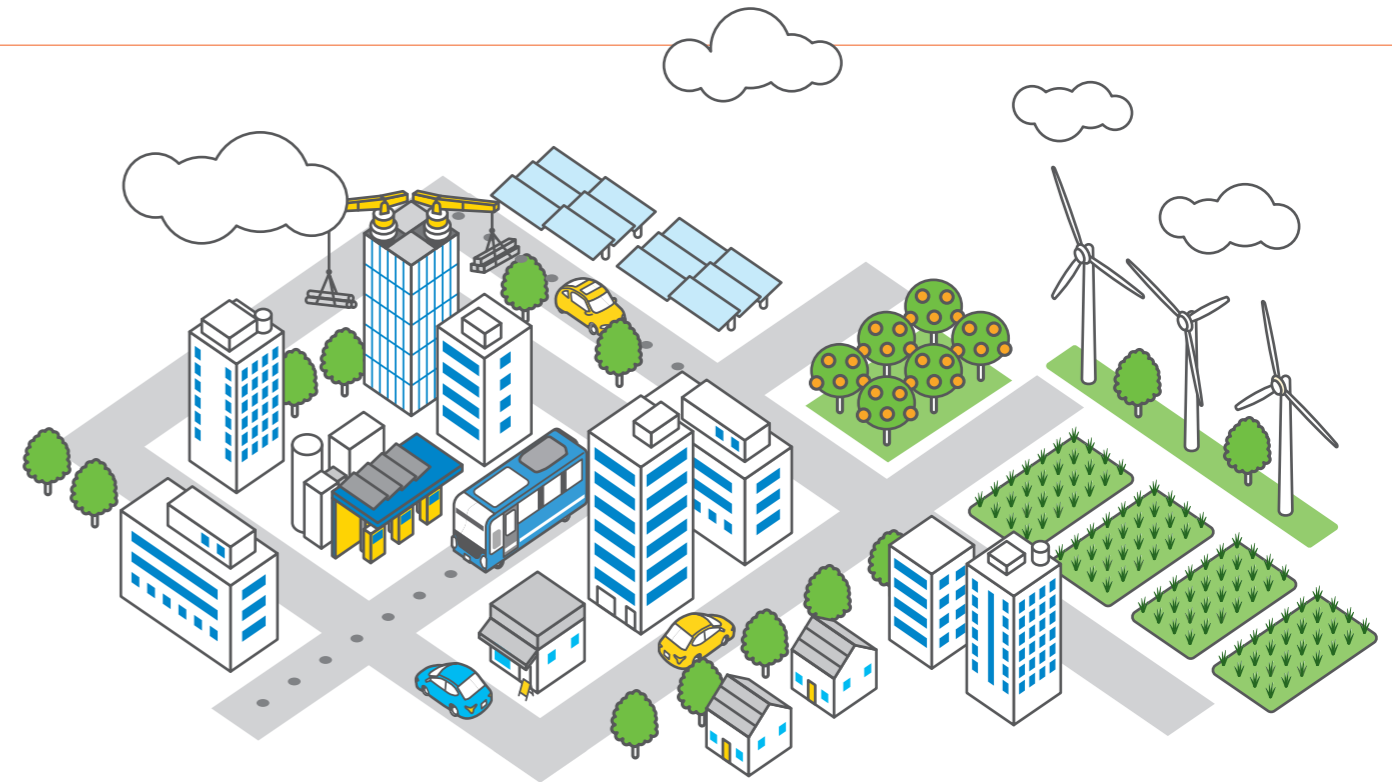
Specialty steel electric furnace maker's unique approach to achieving carbon neutrality

Our goal is to reduce CO₂ emissions by 50% by FY2030 compared to FY2013, and to achieve carbon neutrality by FY2050. Because specialty steel is manufactured by melting steel scrap in an electric furnace, CO₂ emissions from using electricity and city gas account for about 90% of our company's total CO₂ emissions. Accordingly, we are working toward carbon neutrality by focusing on (1) pursuing and deepening energy conservation, (2) utilizing renewable energy, and (3) developing and introducing decarbonizing technologies. Our path toward a 50% reduction by FY2030 has also become clearer. We are focusing particularly on pursuing and deepening energy conservation as a solution that can leverage our strengths. The entire company is involved, with each division, including the administrative division, setting its own energy conservation targets and management following up on monthly results. We are also working to take our activities to the next level by simplifying and shortening processes, utilizing bio-carburized materials, electrifying onsite logistics, and developing next-generation energy-saving electric furnaces that utilize Toyota Motor Corporation's heat management technology.

Management is about people. Promoting people-centric management

Human resource development is also a major focus for us. We proceed according to the motto, "firm but friendly." "Firm" means we aim to foster an attitude of tackling problems head-on by considering what needs to be done and what can be done to solve them, rather than simply giving up and lowering the bar whenever a problem arises. We believe that the more such personnel we develop, the more opportunities we will get to be of service to our customers (i.e., society), enabling us to keep moving forward boldly. "Firm but friendly" means that although we present our people with tough challenges, we also show a supportive attitude, kindly guiding them and thinking together about how solutions can be found.

I myself have also faced numerous difficult problems, but I had the support of my colleagues around me, who nurtured and taught me a lot as I strived to overcome these challenges.



I believe that if people with this kind of firsthand experience become leaders, our company will grow in a healthy way.

In introducing and operating our company structure, we have speeded up our decision-making process by transferring various powers to executives. In the future, we intend to maintain this direction, while increasing opportunities for cross-company discussion and examination of key issues. Decisions previously made within one particular department will now be made from a variety of perspectives, asking the question, "Is that really the right thing to do?" I believe this is necessary in terms of improving the quality of decision-making in this age when the correct answer can be hard to find.

As for developing the next generation of executives, I feel that management and execution functions have become more separated than in the past, so those on the executive side have fewer opportunities to come into contact with the management. Until now, selected personnel have been invited to participate in the Top Management Meeting to watch and learn from management team's discussions, but we will take this one step further and increase opportunities for them to participate in discussions.

A Message to Our Stakeholders

We recognize that shareholders and investors regard our company rather critically, as evidenced by our stock price

and other factors. Considering our industry's susceptibility to economic cycles and market conditions, we accept that we have failed to meet expectations in some areas. To maximize shareholder value and corporate value, we will strengthen the earning power of our core businesses and increase profitability through growth in new businesses. At the same time, we will consider the external environment and other factors, such as further selling of cross shareholdings, enhanced shareholder returns, and improved liquidity through stock splits, while also taking into account the opinions of our stakeholders.

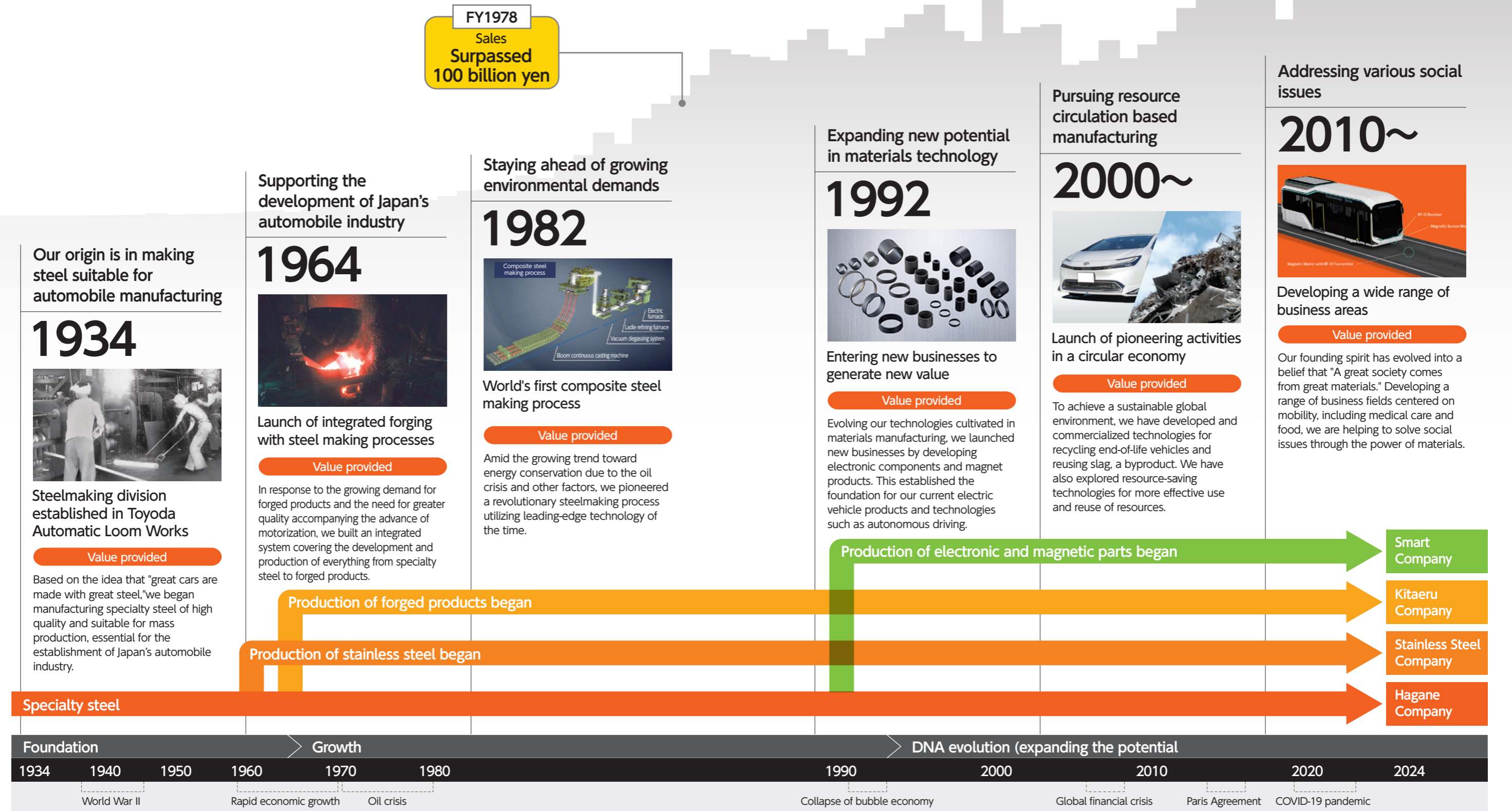
It has been 84 years since our company was founded in 1940. The reason we have been able to stay in business for so many years is, I believe, because we have continued to serve our customers. We will continue to work with a sense of mission so that every one of our employees fully recognizes our company's raison d'être, which is to be of service to our customers. We ask all of our stakeholders for your continued understanding and support going forward.

President

後藤尚英

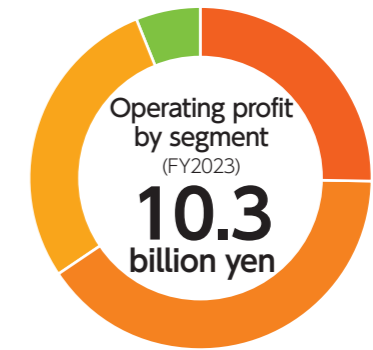
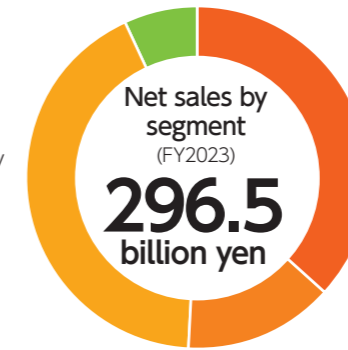
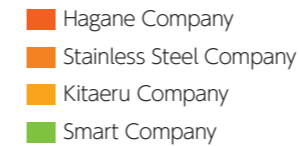
History of Aichi Steel

Throughout our history, we have contributed to society by addressing social issues and expanding the potential of manufacturing through materials. With the materials and components created by our accumulated technologies and skills, we will continue to take on future challenges toward the realization of a sustainable society.



Our Business and Strengths

We have developed our business in a wide range of fields, starting with the manufacture of specialty steels required for automobile manufacturing, followed by forged products, stainless steel, and smart products that utilize our material manufacturing technologies (electronic components, magnets, dentals, sensors, steel supply materials, etc.)

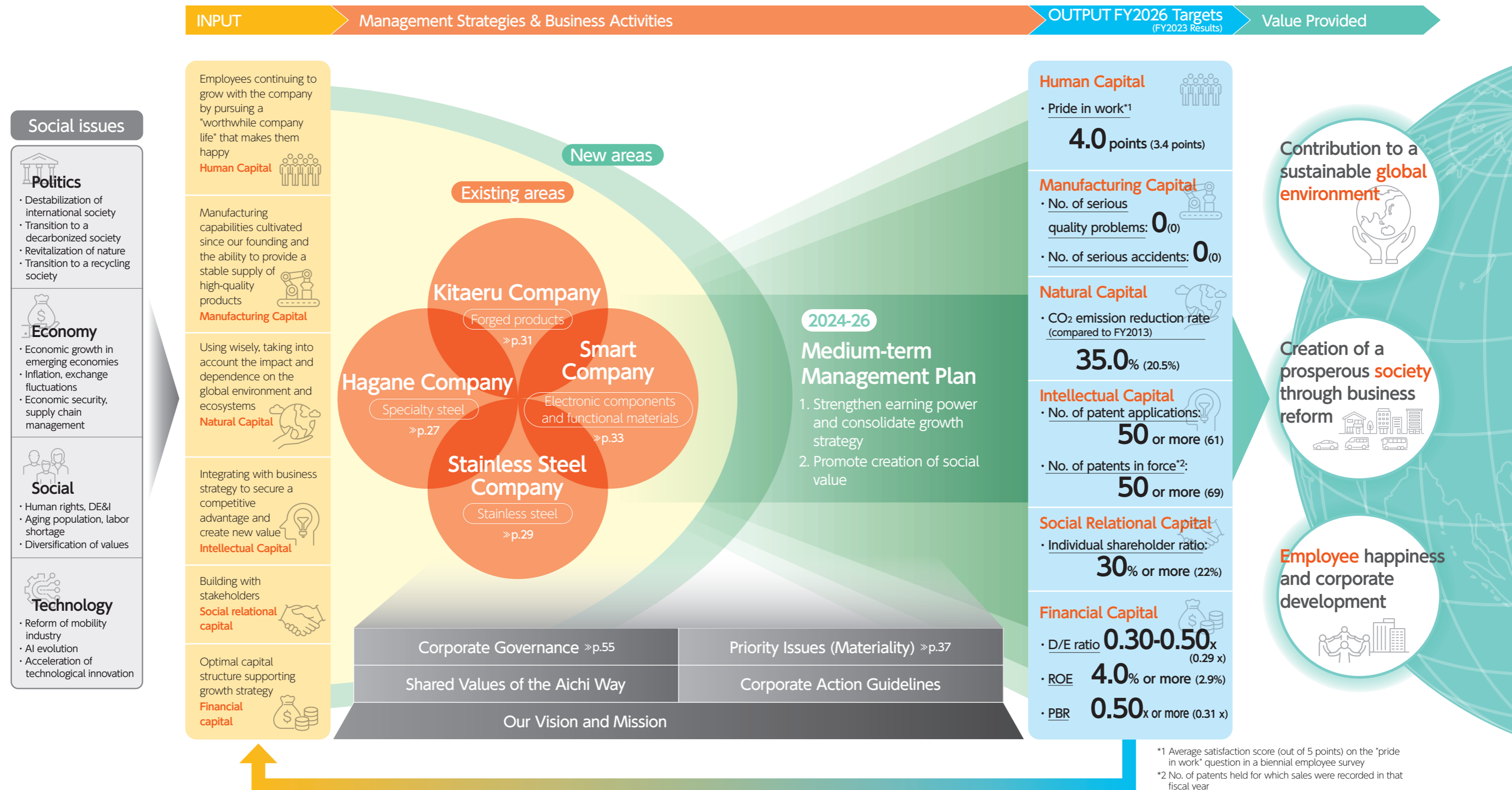


		Value to society			
<p>Hagane Company</p> <p>Based on our knowledge and technical capabilities in manufacturing specialty steels for over half a century, the Aichi Steel Group continues to evolve in pursuit of being number one in quality.</p> <p>Developed strengths</p> <ul style="list-style-type: none"> Material development capabilities evolved over many years of experience since the company's founding High strength, wear and abrasion resistance, and other high functionality supporting key industries such as automobiles 	<p>Value to society</p> <p>Making effective use of limited resources</p> <p>Mechanism of resource circulation</p> <p>As an electric furnace specialty steel maker, we achieve circular manufacturing through (1) resource circulation by transforming steel scrap generated from the dismantling of automobiles and infrastructure into specialty steel, and (2) decarbonization by using electric furnaces, which emit less CO₂ during production compared to blast furnaces, and the use of green electricity.</p>	<p>Main products</p> <ul style="list-style-type: none"> Carbon steels and alloys for machine structural use Steel with guaranteed hardenability for structural use High carbon chrome bearing steel ● Area of contribution Mobility 	<p>Group companies</p> <ul style="list-style-type: none"> AICHI CERATEC CORPORATION: Refractory manufacturing, industrial furnace engineering OMI MINING CO., LTD.: Mining, processing and sales of limestone and other minerals Aichi Steel Logistics Co., Ltd.: Transportation of steel materials and forged products 		
				<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 grades.</p> <p>Developed strengths</p> <ul style="list-style-type: none"> Accumulation of hot-rolling technologies for various shapes and sizes since 1958, when we produced Japan's first hot-rolled stainless steel angles Stainless steel building structure engineering, including design partnership, factory manufacture, and on-site construction 	<p>Providing safety and security</p> <p>Infrastructure materials</p> <p>Stainless steel contributes to the strengthening of social infrastructure as a structural material in everything from bridges and sluice gates to food and pharmaceutical plants, leveraging its characteristics such as corrosion resistance, heat resistance, and long service life. One of its characteristics, resistance to hydrogen embrittlement, is also helping to spread hydrogen energy, a promising decarbonized energy source.</p>
<p>Kitaeru Company</p> <p>Leveraging the strengths of our integrated forging with steel making processes, 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>Developed strengths</p> <ul style="list-style-type: none"> Ability to propose high-quality products leveraging the strengths of our integrated forging with steel making processes World-class forging technologies that can produce high-function, high-precision products 	<p>Contributing to global warming prevention</p> <p>Forging technologies</p> <p>We provide forged products with excellent QCD* that support basic automobile performance including running, turning and stopping. We also contribute to automobile decarbonization by providing products that support multi-pathways in automobiles, including electric axles, which are growing in demand with the spread of electric vehicles.</p> <p>*QCD: Quality, Cost and Delivery. Key elements in manufacturing</p>	<p>Main products</p> <ul style="list-style-type: none"> Hot-cold-forged products Machined products (engine, chassis and drivetrain components, etc.) ● Area of contribution Mobility 	<p>Group companies</p> <ul style="list-style-type: none"> Asdex Corporation: Development, design, manufacturing and sales of forging dies Aichi Forge USA, Inc.: Manufacturing and sales of forged products AICHI FORGE PHILIPPINES, INC.: Manufacturing and sales of forged products AICHI FORGE (THAILAND) CO., LTD.: Manufacturing and sales of forged products Shanghai Aichi Forging Co., Ltd.: Manufacturing and sales of forged products PT. AICHI FORGING INDONESIA: Refining and sales of forged products 		
				<p>Smart Company</p> <p>Aichi Steel is creating new businesses across five fields, electronic components, magnets, dentistry, and sensors, along with iron fertilizers developed through knowledge of specialty steel manufacturing.</p> <p>Developed strengths</p> <ul style="list-style-type: none"> The ability to leverage our DNA in materials technology and apply it to broaden the possibilities of a smart society with new products Unique technical capabilities that can contribute to a wide range of customers 	<p>Contributing to the spread of electric vehicles</p> <p>Electronic components & functional materials</p> <p>Lead frames for power cards that achieve excellent heat dissipation maximize the performance of semiconductors, contributing to the high performance and spread of electric vehicles.</p> <p>Contributing to food issues</p> <p>Iron fertilizer</p> <p>Alkaline soils cover 30% of the world's land, enabling increased food production and contributing to the reduction of greenhouse gases by promoting the absorption of CO₂ through the greening of previously barren land.</p>

Other functions | **Aichi Information System Corporation:** Software development, computer & peripheral sales and maintenance | **AIKO SERVICE CO., LTD.:** Sales of daily commodities, restaurants, food services, and landscaping & greening

Value Creation Process

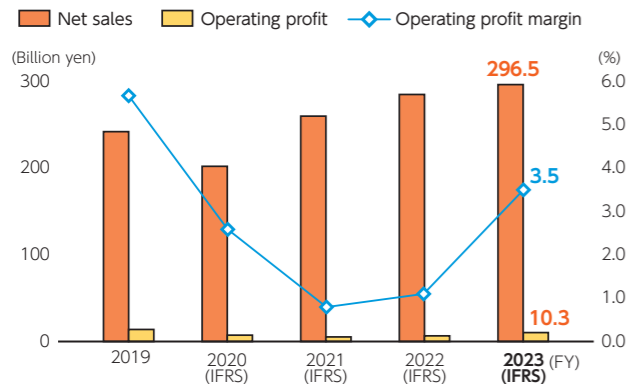
The Aichi Steel Group pioneers new areas of business as a materials manufacturer, starting from social issues and leveraging the capital (strengths) we have developed since our founding, based on Our Vision. Through our business activities, we aim to make a sustainable social contribution and increase our corporate value by providing three values centered on "global environment," "society," and "employees."



*1 Average satisfaction score (out of 5 points) on the "pride in work" question in a biennial employee survey
 *2 No. of patents held for which sales were recorded in that fiscal year

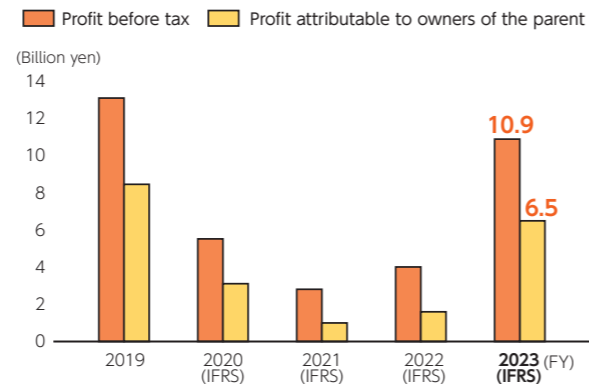
Financial and Non-Financial Highlights

Net sales, operating profit, and operating profit margin



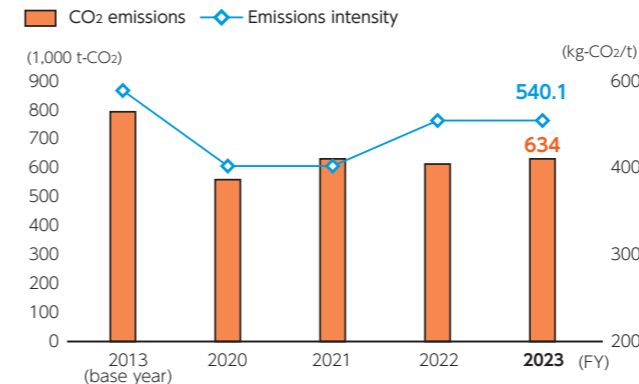
Net sales for FY2023 were a record 296.5 billion yen, 11.4 billion yen increase year on year. Operating profit was 10.3 billion yen, a 7.1 billion yen increase year on year.

Profit before income taxes and profit attributable to owners of the parent



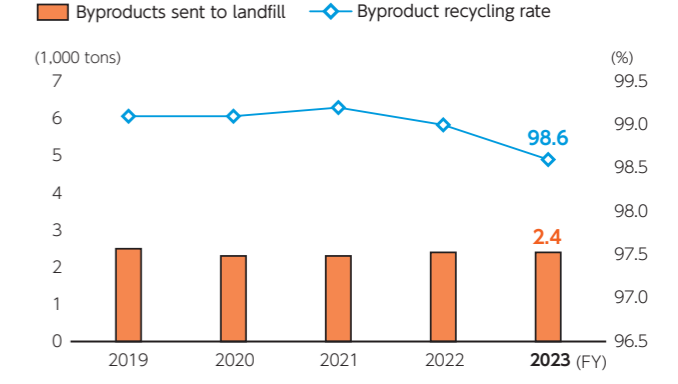
Profit before tax in FY2023 was 10.9 billion yen, a 6.9 billion yen increase year on year. Profit attributable to owners of the parent was 6.5 billion yen, 4.9 billion yen increase year on year.

CO₂ emissions and emissions intensity (non-consolidated)



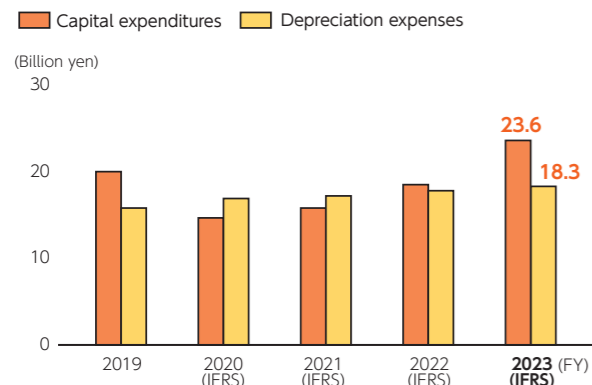
CO₂ emissions in FY2023 were reduced by 163,000 t-CO₂ compared to the base year. Emissions intensity decreased by 54.8 kg-CO₂/t compared to the base year.

Byproducts sent to landfill and byproduct recycling rate



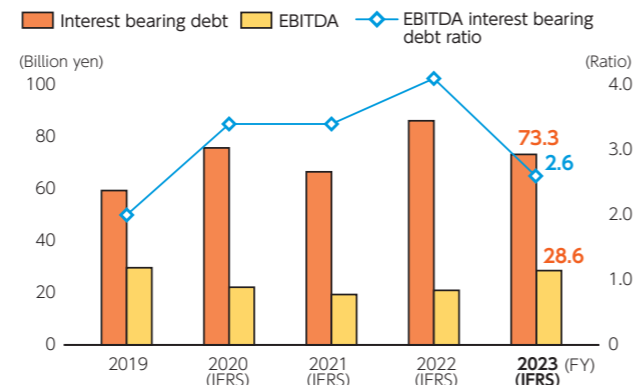
The volume of by-products sent to landfill in FY2023 was 2,400 tons, the same as the previous year, resulting in a 98.6% by-product recycling rate.

Capital expenditures and depreciation



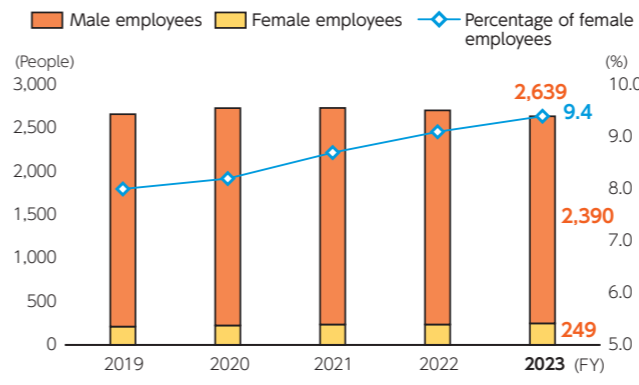
Capital investment in FY2023 was 23.6 billion yen, a 5.1 billion yen decrease year on year. Depreciation expenses were 18.3 billion yen, an 0.5 billion yen increase year on year.

Interest bearing debt, EBITDA, and EBITDA interest bearing debt ratio



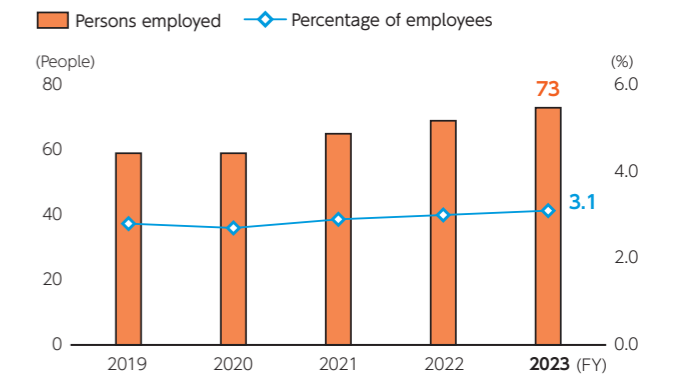
Interest bearing debt in FY2023 was 73.3 billion yen, a 13 billion yen decrease year on year.

No. of employees and No. of female employees included (non-consolidated)



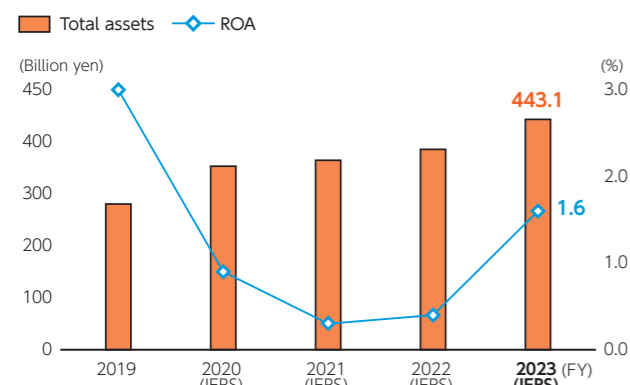
We are committed to promoting the advancement of women as part of our diversity efforts, with the aim of enabling each and every employee, regardless of gender, to realize their full potential and provide value to society.

Employees with disabilities (non-consolidated)



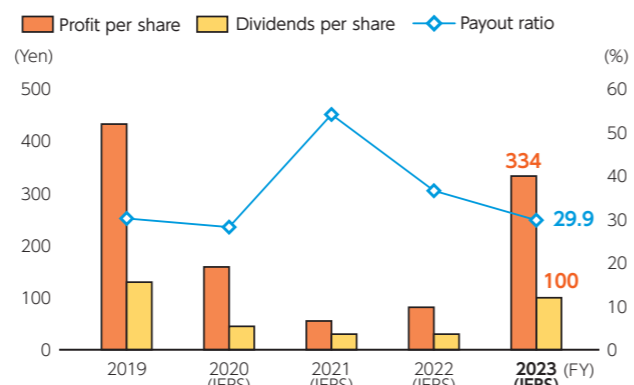
For employees with disabilities to realize their full potential, we place importance on their individual characteristics and motivation when deciding on work assignments. We promote the development of environments that allows them to play a more active role in a wide range of workplaces, including manufacturing sites and administrative departments.

Total assets and ROA



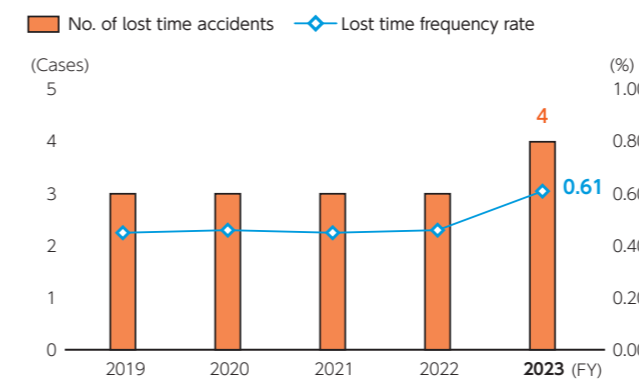
As a result of increases in other financial assets and so on, total assets for FY2023 amounted to 443.1 billion yen. ROA improved 1.2% year on year to 1.6%.

Profit per share, dividends per share, and payout ratio



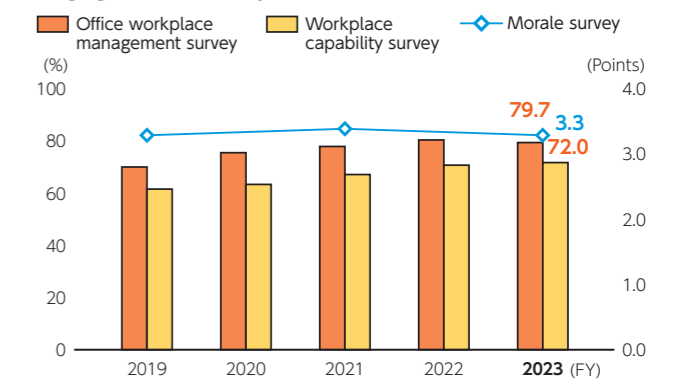
Profit per share for FY2023 was 334 yen. The dividend per share was set at 100 yen, representing a payout ratio of 29.9%.

No. of lost time accidents and lost time frequency rate (non-consolidated)



The number of lost time accidents in FY2023 increased by one from the previous year to four, resulting in a lost time frequency rate of 0.61%.

Rate of positive responses to employee engagement survey (non-consolidated)



We carry out various surveys of all our employees. Based on these survey results, we determine and implement the measures necessary for the entire company or individual departments and workplaces, and the effectiveness of such measures is confirmed in subsequent surveys.

Vision 2030 and FY2021-23 Medium-term Management Plan Review

■ Vision 2030 ■

Company of Choice Globally

As circumstances surrounding our company change drastically and at unprecedented speed, we felt we had to provide all stakeholders with some guidelines as to what the Aichi Steel Group should do in the future, and so in August 2020, we formulated the Aichi Steel Group's Vision 2030.

Aims and Management Guidelines

Based on the Aichi Way, Our Vision, and our values, we aim to achieve steady growth by providing value for the global environment, society, and our employees through the supply of high-quality materials such as specialty steels, forged products, electronic components, and functional materials.

Contribution to a sustainable global environment

- (1) Fulfilling our environmental responsibility
- (2) Contributing to a low-carbon society
- (3) Coexisting with nature

Creation of a prosperous society through business reform

- (1) Reform of existing businesses
- (2) Business expansion into new fields
- (3) Focus on monozukuri and support for kotozukuri

Employee happiness and corporate development

- (1) Safe and secure work environment
- (2) Fulfillment of work-life balance
- (3) Production of autonomous human resources

FY2021-23 Medium-Term Management Plan Review

Our FY2021-23 Medium-term Management Plan is positioned as an action plan specifying the key issues to be tackled over the next three years as a start toward the realization of Vision 2030, and a roadmap for achieving these goals. We have developed various measures to address issues such as carbon neutrality by 2050, CASE progress in the automobile industry, progress in digital technologies such as DX, and intensifying global competition.

Management Targets and Results

	FY2023 targets	FY2023 results
Net sales (Billion yen)	250.8	296.5
Operating profit (Billion yen)	15	10.3
Operating profit margin (%)	6.0	3.5
Dividend payout ratio (%)	30.0	29.9
ROE (%)	5.5	2.9
Capital expenditures (Billion yen)*1, *2	51.2	58.1
Interest bearing debt (Billion yen)*2	62.7	73.3
Depreciation (Billion yen)*2	16.9	18.3

*1 Total for FY2021-FY2023
*2 Unconsolidated

Review and Issues

Although net sales for FY2023, the final year of the plan, exceeded the initial target, operating profit fell short of the target due to a decrease in sales volume of specialty steel and forged products, as well as soaring electricity prices and other energy costs. Securing stable earnings in our core businesses and expanding profits in our growth businesses have emerged as key issues for the future.

- Core businesses: Hagane Company (specialty steel), Kaitaru Company (forged products)
- Growth businesses: Stainless Steel Company (stainless steel)
Smart Company (electronic components, functional materials)

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 ₂ 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

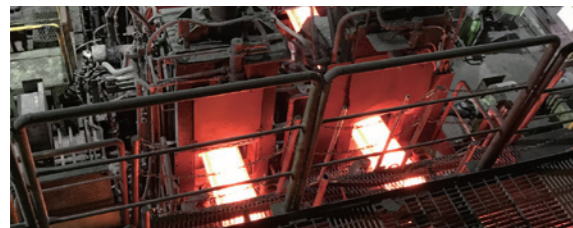
Leveraging our strength in manufacturing, we will maximize the potential of our core businesses of specialty steel and forged products to strengthen our stable earning power, and accelerate growth in businesses such as stainless steel, electronic components, and functional materials. We will strengthen 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 CO₂ emissions by process omission
 - ... Ensuring upward elasticity by increasing the variety of producible products
 - ... Studying concept of energy-saving electric furnaces to achieve CO₂ 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

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

● 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



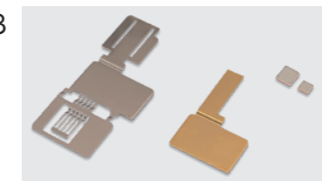
Shaft (left) and gear (right) for electric axle used in electric vehicles



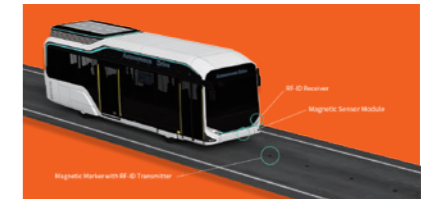
Fire extinguishing system for a tunnel on the Shinjuku Route of the Shuto Expressway where our stainless steel is used

● 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 CO₂ emissions through energy saving and increased introduction of renewable energies, etc.
- Reducing CO₂ 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

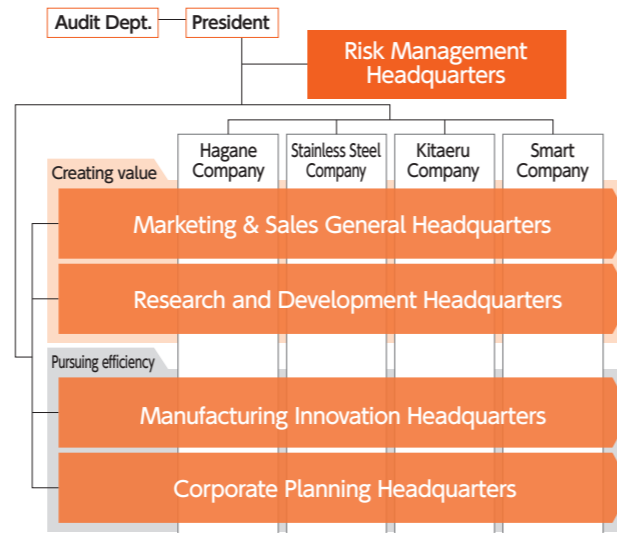
Specific initiatives

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

Messages from Administrative Divisions' Management

In order to respond swiftly to the rapidly changing business environment and grow strongly, we need to transform our corporate structure to be more resilient to change.

Under our FY2024-26 Medium-term Management Plan, we will focus on strengthening our corporate functions. Our goal is to achieve efficient and speedy corporate management by promoting the optimal allocation of resources and responding to companywide issues through lateral ties between companies. Here are messages to our stakeholders from the general managers of each headquarters regarding the role and future initiatives of their respective headquarters.



Marketing & Sales General Headquarters

Strengthening cooperation with divisions and building a prompt-response sales structure

From FY2024, the Marketing & Sales General Headquarters has been organized into four divisions: Sales Planning Division, Toyota Sales Division, Specialty Steel Sales Division, and Stainless Steel Sales Division. We aim for dependable sales based on the trust of all our customers, both domestic and international, and will hone our planning and proposal capabilities by anticipating and identifying customer needs, which will be a source of value creation. As for the commercialization of next-generation development themes, a further growth strategy for us, we will establish a business model with a rapid response to customer needs, in close cooperation with the Research and Development Headquarters. We will also strengthen our collaboration with each company to build a "network of cooperation with manufacturing power" so that we can respond to changing market trends. Then, in developing sales personnel to support our organization, we will endeavor to create a firm but friendly corporate culture, while ensuring that they have a good, first-hand understanding of the situation on the ground.



Managing Executive Officer, General Manager of Marketing & Sales General Headquarters
Kazuya Fukatsu

Research and Development Headquarters

Promoting R&D in both growth areas and existing businesses

By promoting research and development of technologies and products to solve mobility and social issues, we aim to explore and create new businesses while building and strengthening our technological foundation in existing businesses. In addition, we will take on the function of promoting intellectual property and standardization activities, and will commit more than ever to management strategies from the perspective of securing our competitiveness and creating new markets. In the search for development subjects, we will strengthen cooperation with the Marketing & Sales General Headquarters with the aim of appropriately identifying a broad range of industrial needs and speeding up development and commercialization. We will also strengthen our collaborations with universities and other research institutions to speed up the development phase.

From a human resource perspective, we aim to build a vibrant organization with a group of professionals who provide new value to society, by developing a workplace culture that brings out everyone's diverse expertise and creativity, and by fostering a mindset of actively taking on new challenges.



Executive Officer, General Manager of Research and Development Headquarters
Hironari Mitarai

Risk Management Headquarters

Offering safety and security to all stakeholders

In our previous Medium-term Management Plan, there remained some major issues in our rapid response to external circumstances. The new Medium-term Management Plan needs to use the lessons learned from this experience to better ensure our future growth strategy. To this end, I believe the value of the Risk Management Headquarters lies in creating an environment that provides peace of mind for the entire company to focus on activities that enhance "selling, creating, and buying."

It is also essential that we provide safety and security to all our stakeholders through safety, environmental, and quality management. We will establish and strictly comply with rules in all our operations on site to ensure that there is clarity on what needs to be done, and that no individual is left to do a task he or she is not supposed to do. By having everyone put the slogan, "I am a leader of change" into practice, we will create a better workplace culture and environment, which will help to strengthen the foundation of our manufacturing.



Executive Vice President, General Manager of Risk Management Headquarters
Motoshi Nakamura

Manufacturing Innovation Headquarters

Supporting manufacturing from the perspectives of improvement and innovation

In FY2024, we established a three-division structure, made up of the Production Control Division, IT Management Division, and Facility Engineering Division, in order to support all our manufacturing sites companywide and aim for innovation. Besides resolving existing issues and conducting thorough maintenance management, we will proactively introduce new ideas and technologies needed to increase our competitiveness.

The Production Control Division explores efficient mechanisms to address issues common to all plants, such as TPS, as well as problems that span the entire supply chain. The IT Management Division works on promoting DX and upgrading cyber security, while the Facility Engineering Division focuses on enhancing TPM activities and optimizing facility management through the use of IoT. We also promote "visualization" in order to cultivate a mindset of improvement on site. Clarifying the results will make our organization more rewarding to work for, encouraging spontaneous and continuous improvement.



Managing Executive Officer, General Manager of Manufacturing Innovation Headquarters
Kazuma Kihara

Corporate Planning Headquarters

Planning a growth strategy that is both defensive and offensive

Society's expectations have changed dramatically in recent years, and so-called corporate functions need to evolve even more. It is essential that we steer the company more aggressively toward growth, not to mention raising our basic level as a legitimate company, such as our finances, human resources, compliance and governance. As well as being strong on defense, sometimes we must support growth by developing the mindset, skills, and speed that are central to offense.

We will read ahead, map out solid growth strategies, and deploy resources in a timely and dynamic manner. Above all, we aim to be a good and exciting company, ethical and sustainable, one that our employees are proud to work for and that is trusted by all of our stakeholders.



Director and Managing Executive Officer, General Manager of Corporate Planning Headquarters
Naoki Ishii

Financial Strategy

Basic approach

Aichi Steel believes that it is important to grow sustainably and continue to provide value to its stakeholders in any business environment. We therefore aim to improve capital efficiency by generating cash through asset reduction and actively allocating it to investment in growth and shareholder returns, in addition to actively using interest bearing debt based on business profits and maintaining a strong financial base.

● Achievements and issues of FY2021-23 Medium-term Management Plan

While ensuring financial soundness such as our D/E ratio, we have strived to expand our business by investing in the renewal, maintenance and repair of aging facilities, mainly in existing businesses, and by ensuring stable supply capacity, thereby capturing solid demand. However, operating profit and ROE fell short of our targets, partly due to fixed expenses that were held back by sluggish demand growth caused by the COVID-19 pandemic. As a result, market assessments of PBR and other parameters were harsh, and some issues emerged in terms of profitability and capital efficiency.

FY2024-26 Financial Targets

Under the new Medium-term Management Plan ending in FY2026, we will place the highest priority on steadily materializing our growth strategy and strengthening earning power to improve profitability, with the aim of increasing shareholder value and corporate value. In addition, we will implement capital measures to

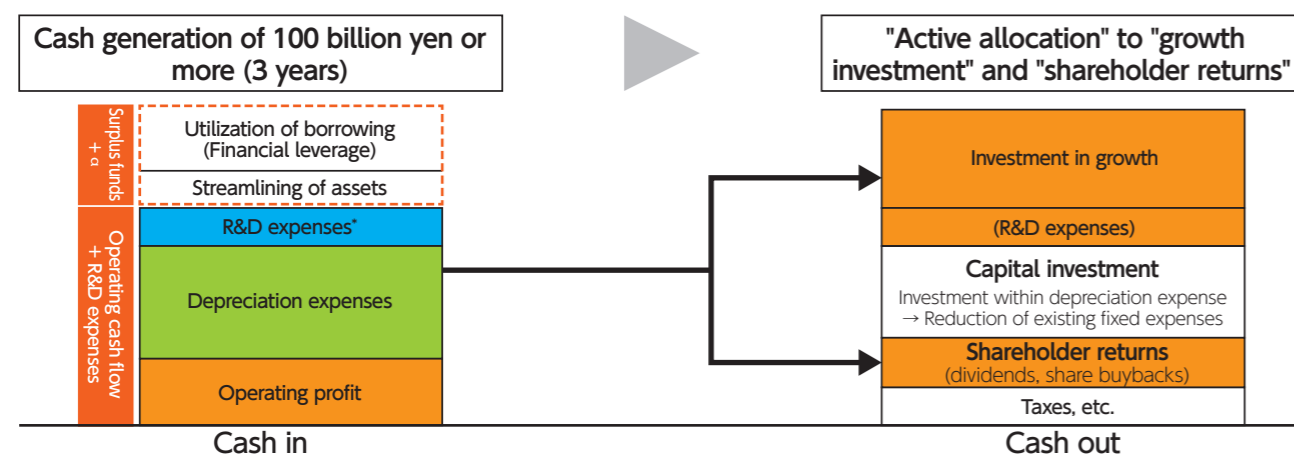
improve capital efficiency and enhance shareholder returns. We will make steady improvements to gain the understanding and trust of the market as we work toward achieving the FY2026 target of our new Medium-term Management Plan, a milestone along the way to achieving the target of a 1.0x PBR by FY2030.

(1) D/E ratio (debt-to-equity ratio)	0.3~0.5 times	(2) ROE (return on equity)	4.0% or more	(3) PBR (price-to-book ratio)	0.5 times or more
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Capital allocation

Regarding cash flow, which is a source of growth investment essential for maximizing shareholder value and corporate value, we aim to generate more than 100 billion yen over the three years of the new Medium-term Management Plan. To realize our Group's growth through capital allocation, we will keep focusing on

three key issues: (1) strengthening earning power to maximize operating cash flow, (2) pursuing an optimal capital structure by flexible fund procurement and moderate use of leverage, and (3) improving capital efficiency by streamlining assets.

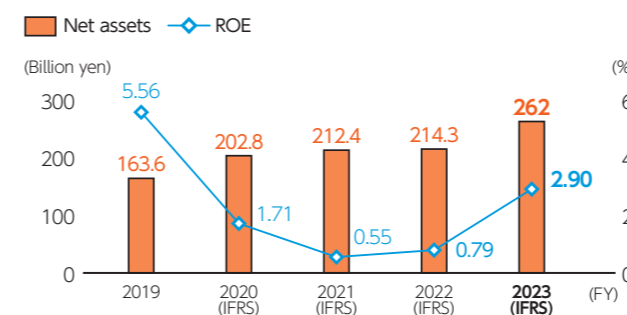


*R&D expenses not included in operating profit calculations

Strengthening earning power

Accelerating the growth of new businesses through the integration of sales and development and improving the profitability of existing businesses by maximizing their potential are key issues, as well as carefully selecting capital investments and reducing costs. With regard to capital investment, we will carefully review and select individual projects based on the characteristics of the business domain and market stage, and proceed with them strategically with a sense of urgency. We also focus on investments in human capital and other non-financial capital, which are important growth investments that will lead to future earning power. As well as developing human resources in the digital and sustainability fields, we are also emphasizing the feasibility of using their skills in our business.

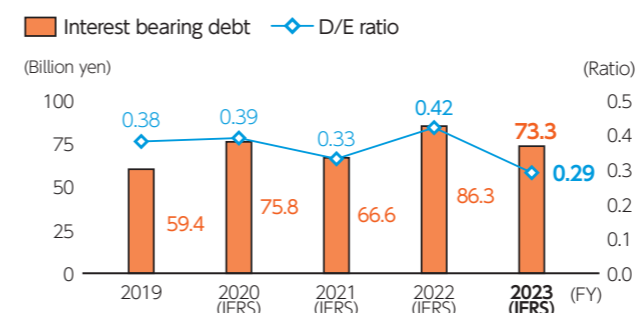
◆ Net assets/ROE



Optimal capital structure

Until now, as a materials manufacturer for the Toyota Group, we have emphasized "stable supply" and "stable financial base." However, to adapt to recent changes in the business environment, including the automotive industry, while achieving growth, we believe that flexible financing that also utilizes financial leverage is essential. Our goal is to procure funds through the most appropriate means, taking into consideration various conditions such as the timing and amount of funds needed for the project, with a D/E ratio of 0.3 to 0.5 times.

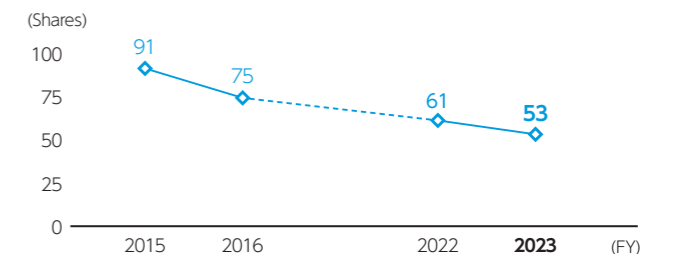
◆ Interest bearing debt D/E ratio



Streamlining of assets

Through the use of surplus funds and reduction of inventory, our policy is to allocate funds in a balanced way to investment in growth and shareholder returns. Each year, the Board of Directors reviews the appropriateness of cross shareholdings. All stocks held are scrutinized for the purpose of holding and the benefits associated with holding, and those deemed to have no significance or rationality are sold. In FY2023, eight listed stocks were sold. From the standpoint of improving capital efficiency, our target is to reduce the ratio to net assets to less than 10% (12.8% as of March 31, 2024). We will continue to monitor and reduce this ratio.

◆ Changes in volume of cross shareholdings



Reduced capital costs

We believe it is important that many investors understand the medium- to long-term growth potential we are aiming for and the value we deliver. To this end, we will provide timely and accurate information, engage in constructive dialogue, and work to improve the effectiveness of such dialogue. We will also focus on reducing shareholder capital costs by strengthening our sustainability activities to eliminate future uncertainties.

For future enhancement of corporate value

In future, we will seek to maximize shareholder value and corporate value by (1) raising shareholder returns through a dividend payout ratio of 30% or more, which is our existing guideline, and share buybacks, while taking into consideration funds required for growth investment, and (2) improving liquidity through stock splits in consideration of stock price trends.

Hagane Company

We are a resource circulation company that produces specialty steel, an important material with diverse characteristics that supports society, from steel scrap. By leveraging our accumulated technical capabilities and strength in integrated forging with steel making processes, we are helping to realize a decarbonized and recycling-oriented society, particularly in the automotive industry.



Managing Executive Officer
Hagane Company President
Toshio Ito



Business Strengths

- High-function material development capability due to the integrated forging with steel making processes we have cultivated since our founding as a leading manufacturer of specialty steel
- Strong partnerships with key customers, automobile manufacturers, and parts manufacturers
- Specialty steel manufacturing technology using an electric furnace method, which cuts CO₂ emissions during manufacturing to about 1/4 that of the blast furnace method



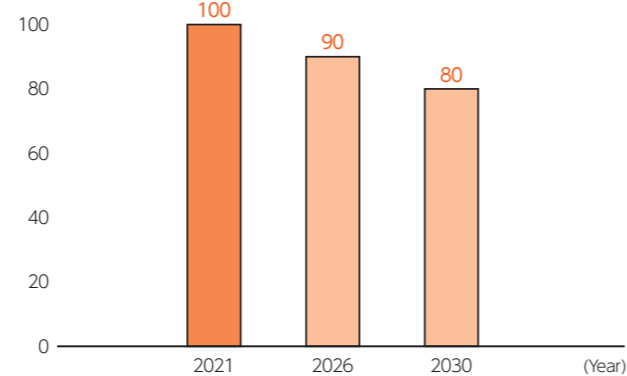
Specialty steel materials

Business Environment

Domestic demand for specialty steel is expected to fall in the medium to long term due to continued electrification of automobiles and fewer internal combustion engines. Demand overseas, on the other hand, is projected to increase steadily, especially in emerging economies. It is also essential that we respond not only to soaring raw material and energy prices and labor shortages, but also to recent trends toward environmentally valuable products.

We are addressing these issues by (1) building a business structure that is resilient to changes in the business environment, (2) expanding our operations in the growing market of India, and (3) increasing sales of high value-added products through the development of steel materials for electric vehicle parts, a growth area.

◆ Domestic demand for specialty steel (Aichi Steel's predictions)



*Index taking FY2021 demand as 100

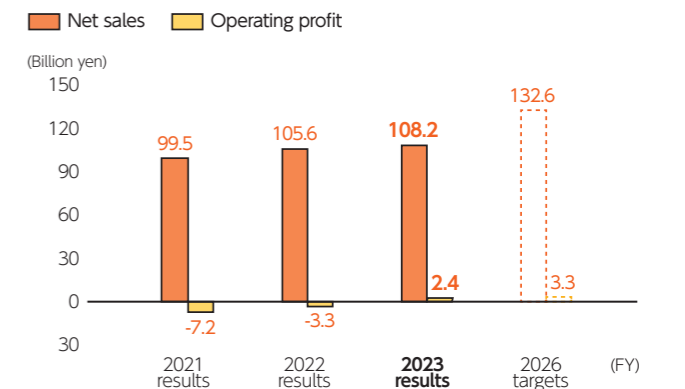
Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> • Rising demand for high value-added products such as development steel for electric vehicles • Growth of overseas markets, especially India • Increased need for green products (Higher demand for electric furnace specialty steel) 	<ul style="list-style-type: none"> • Decrease in domestic demand for specialty steel due to electrification of automobiles • Rapid fluctuations in cost of raw materials, energy, etc.

FY2023 Results

While our sales volume was lower than initially forecast, we managed to stay in the black by implementing aggressive profit improvement activities in all aspects of procurement, manufacturing, and sales. These included reducing basic unit costs, which are not affected by production volume, reducing material costs by devising ways to use steel scrap and alloys, and reducing fixed expenses by a full review of maintenance costs and capital investment.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

Strengthening earning power

Anticipating a fall in demand for specialty steel in the medium to long term, we will strengthen our earnings base as our core business by promoting structural reforms, such as consolidating or eliminating production lines and improving production efficiency.

Specifically, we will endeavor to stabilize earnings and maximize earning potential, by optimizing our production capacity with a cost-minimizing production system that generates profits from limited production volume, and by responding flexibly to demand fluctuations in order to significantly lower our break-even point.

Promoting global strategy for steel materials

We have held a stake in Vardhman Special Steel, a specialty steel manufacturer in India, since 2019. We are mutually cooperating with each other as business partners in the Indian specialty steel market, and both our companies' business and earnings have grown steadily. In 2023, our steel material became the first Indian material to be certified by a Japanese automobile manufacturer for making gears. In our Medium-term Management Plan, we aim to boost sales volume



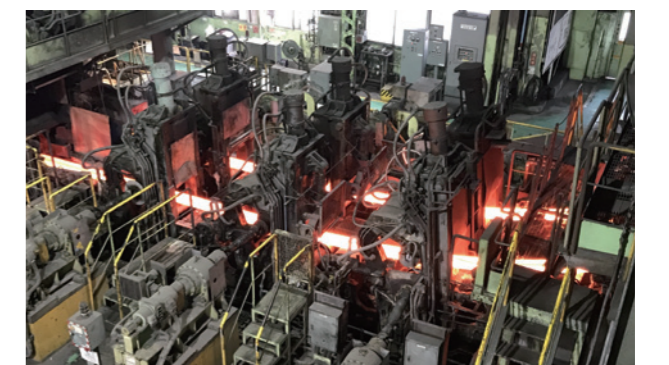
Technical guidance at Vardhman Special Steel

through further certification of our steel materials, and will step up activities to develop sales channels, especially with Japanese customers. To this end, we have been installing new equipment to improve quality and increase production potential. To expand our overseas steel materials business, we aim to take additional steps to secure a strong foothold in growing markets.

Carbon neutral initiatives

We are working to decarbonize our production processes through our accumulated manufacturing technologies and operational know-how and the development of new proprietary technologies. As part of this, we are developing small-section continuous casting technology for automotive steel, targeting mass production by 2025. This will cut our CO₂ emissions during manufacturing and ensure upward elasticity in production potential, enabling us to meet customer needs more flexibly.

We will also conduct specific studies for the introduction of new energy-efficient electric furnaces. By utilizing Toyota Motor Corporation's technologies such as engine heat management, we aim to achieve industry-leading efficiency and CO₂ reduction.



Small-section continuous casting machine under development to reduce CO₂ emissions and ensure upward elasticity in production potential

Stainless Steel Company

The Stainless Steel Company supplies stainless steel materials (hot rolled flat bars and steel shapes, round bars, and deformed bars) and enhances the functions of stainless steel building structure engineering, including design partnership, factory manufacture (parts processing and component production), and on-site construction, in order to meet customer needs. We are also contributing to the realization of the hydrogen society and rebuilding of infrastructure.

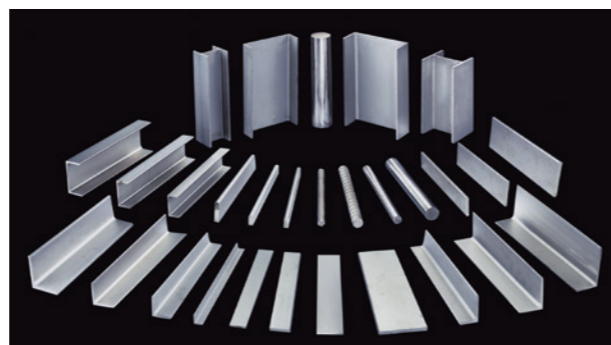


Executive Officer
Stainless Steel
Company President
**Hideki
Nakagawa**



Business Strengths

- A product lineup of more than 4,000 types of steel grades, shapes, and sizes to suit multiple applications and needs based on our technical capabilities, including Japan's first production of hot-formed stainless steel angles
- Stainless steel building structure engineering technology for design partnership, factory manufacture, and on-site construction, unique among stainless steel manufacturers

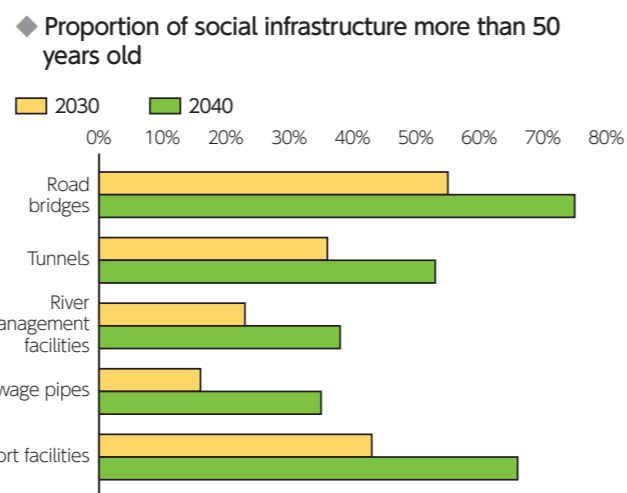


Wide variety of stainless steel materials

Business Environment

Demand for stainless steel in the civil engineering field is expected to increase as aging infrastructure such as bridges, tunnels, and river management facilities (dams, weirs, and sluice gates) are repaired, upgraded, or newly built, and in response to increasingly severe climate change-related natural disasters.

Demand for stainless steel is also expected to grow in line with demand for plant construction in growth areas such as pharmaceuticals, food, and semiconductor-related industries, as well as in energy related fields (hydrogen, ammonia, natural gas, etc.)



Source: MLIT, "Current and Future State of Aging Social Infrastructure"

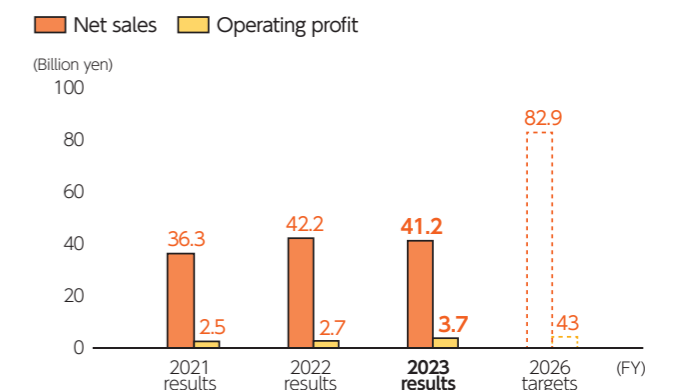
Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> • Increased demand driven by growing need for higher durability due to aging social infrastructure • Growing demand for hydrogen (liquefied hydrogen and hydrogen gas) due to promotion of its use toward a decarbonized society 	<ul style="list-style-type: none"> • Tougher market competition due to increased imports of stainless steel materials (fall in sales prices) • Rising procurement costs due to flow of stainless steel scrap overseas

FY2023 Results

Despite cost increases due to rising energy, raw materials, and distribution costs being reflected in our selling prices, our sales revenue fell 2.3% from the previous year to 41.2 billion yen. This was attributable to a year-on-year drop in sales volume caused by continuing inventory adjustments in the market starting in FY2022.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

Taking advantage of the various features of stainless steel, we will help realize a sustainable society through the use of materials.

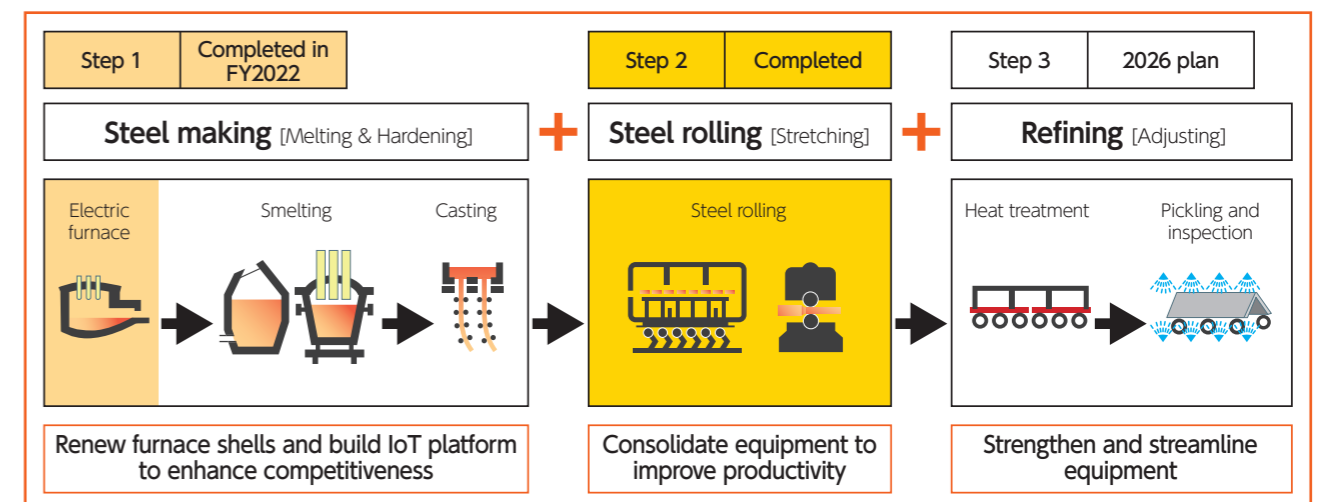
Production potential to meet growing demand

We are working on manufacturing improvements and process reforms to increase our annual production capacity to 90,000 tons, up 40% from FY2019, in preparation for future demand growth. Step 1 is an upgrade of the furnace shell and control system of the 50-ton electric furnace for stainless steel. Next, step 2 is to increase the production capacity of the formed steel rolling line at the Chita Plant, and to integrate some of the formed steel production from the Kariya Plant to the Chita Works for improving productivity. Various measuring instruments (such as sensors and cameras) have been introduced to improve quality by turning tacit knowledge into explicit knowledge and strengthening traceability. In the future, we will carry out step 3, which is the enhancement and rectification of equipment in

the refining process.

Expansion of parts and components business

The Kinuura Plant of AIKO CORPORATION, a group company, acquired a general construction business license following its certification as a "stainless steel building structure fabrication plant," for the purpose of expanding its engineering functions and strengthening its in-house production. This will enable the fabrication and on-site construction of large stainless steel structures in the construction field in addition to the existing fields of civil engineering and water treatment. Also, in order to strengthen the sales force base with the aim of expanding functions, we will enhance our sales structure and develop human resources for proposal-based engineering sales. Next, we will contribute to the realization of an earth-friendly society by providing high value-added products through our stainless steel engineering technologies.



Stainless steel manufacturing process reform

Kitaeru Company

We will contribute to all of society by (1) evolving our integrated and highly efficient manufacturing processes, from steel to forging and machining, to meet the basic performance requirements of automobiles, namely, running, turning, and stopping, and (2) providing products and technologies that meet the needs of an increasingly diverse mobility society headed toward a carbon-neutral era.



Executive Officer
Kitaeru Company
President
**Yoshikazu
Tsuchida**



Business Strengths

- Development of steel grades, manufacture of steel materials, and manufacture of forged products based on high technological capabilities honed through integrated forging with steel making processes
- Wide range of comprehensive capabilities, from steel materials to forging and machining, to meet diversifying customer needs with total solutions
- Strong partnerships with automobile manufacturers
- Robust global connectivity due to consolidation of information from five overseas bases and a mutually complementary system

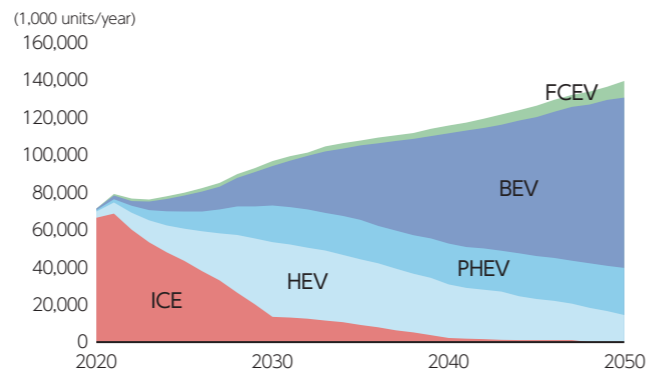


Examples of forged products handled

Business Environment

In the automotive industry, a major customer of ours, current demand remains generally firm. Going forward, the market is expected to continue to expand, supported by strong demand from emerging economies. By region, in the US and Europe, BEV (battery electric vehicle) sales are slowing while PHEV/HEV (plug-in hybrid/hybrid vehicle) sales continue to increase. In China, demand for PHEVs is expected to increase along with that for BEVs. With our multi-pathway (omnidirectional) strategy, we will adapt to the changing market environment by continuing to serve our customers, offering attractive products that meet market needs.

◆ Global new vehicle sales composition (passenger cars)



Source: JAMA scenario for carbon neutrality by 2050

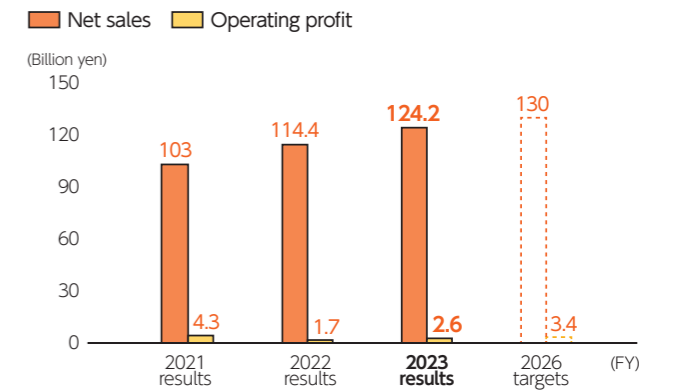
Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> • Demonstration of our strength in manufacturing ("high quality at low cost" and "flexible production") in an increasingly competitive domestic market • Securing sales volume of internal combustion engine related parts due to increased demand for PHEVs • Growth of overseas business due to expansion of overseas auto parts markets (especially the Global South, emerging economies) • Strengthening profit structure due to selection and concentration of production systems, including business partners for automotive forged products 	<ul style="list-style-type: none"> • Drop in number of forged products installed due to shift to electric vehicles • Fall in sales volume due to shrinking domestic market, intensifying competitive environment • Loss of business opportunities due to growing geopolitical risks

FY2023 Results

Amid ongoing uncertainty over automobile production volumes, we have worked to improve profitability through selling, making, and buying in order to strengthen our ability to deal with volume fluctuations. The Kitaeru Company as a whole achieved year-on-year growth in sales and profit thanks to (1) some progress in passing on the continued high prices of raw materials and energy to selling prices, (2) increased sales volume supported by firm demand, and (3) significant results in manufacturing cost reductions by improving quality and productivity through strengthening manufacturing capabilities.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

We will streamline our business structure in order to strengthen our earning power and secure our growth strategy.

Expanding orders for strategic product lines

To strengthen our ability to respond to the "home and away" policies of our major customers and the multi-pathways of the automobile industry, we are formulating strategic product lines and optimizing our production allocation. In particular, as part of our strategy addressing the progress of electrification of automobiles, we must work on new parts related to electric axles, and will participate from the customer's development stage to ensure that we win orders.



Output shaft for electric axles

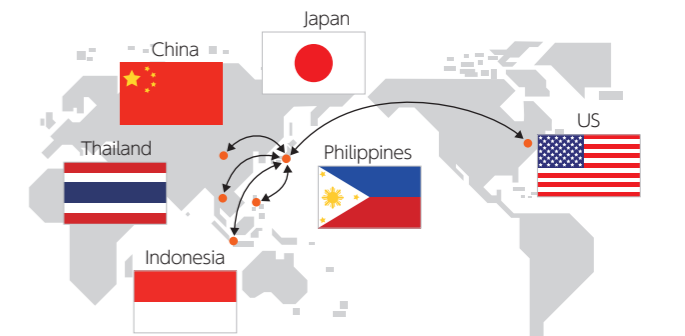
Adapting to reorganization of forging industry

Although the forging industry is characterized by having many low-mix, low-volume producers, the number of forged products installed in automobiles is expected to decrease due to the electrification and downsizing of automobiles, and the number of product types will be reduced. We therefore need to focus on the industry restructuring that will accompany this trend. From the perspective of helping to sustain our supply chains, we will work to develop next-generation forging methods for high-mix, low-volume production and further expand

our domestic market share.

Expansion of overseas business

We will strive to expand orders at our global sites by firmly capturing demand in emerging economies, where continued growth is expected. At the same time, we will collaborate with our specialty steel partner in India to make our products more cost competitive and secure profits in growing markets. We will also focus on increasing our adaptability to change by strengthening our manufacturing capabilities, such as improving labor productivity and quality.



Overseas manufacturing sites and their collaboration structure

Creation of social value

We contribute to the realization of next-generation mobility aimed at decarbonization through multi-pathways with forged automotive products that excel in QCD (quality, cost, and delivery). We also promote sustainable manufacturing, such as with energy conservation and logistics reform in the production process.

Smart Company

Through "Customer First," we aim to be a smart company that helps our customers and the end users beyond. Specifically, we contribute to society through advanced functional materials and applied products in the four value-creation fields of energy, safe and secure social infrastructure, healthy lifestyle, and food.

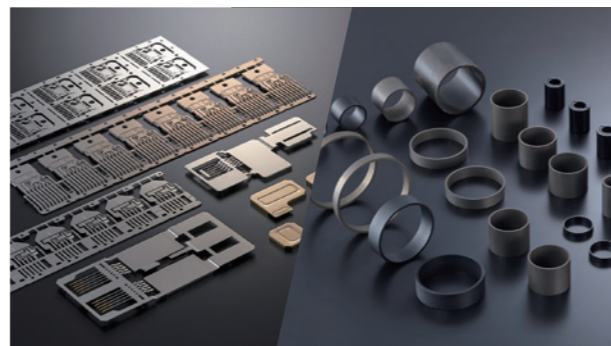


Executive Officer
Smart Company
President
Masami Sugata



Business Strengths

- Advanced functional materials created by manufacturing capabilities combining the base technologies of materials, magnetic applications, and surface treatment
- Technology that brings out the performance of advanced functional materials, and unique applied products



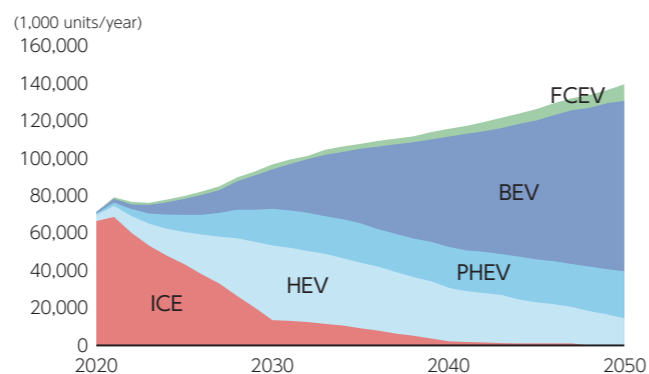
(Left) Lead frame product lineup (Right) Magnets

Business Environment

In the automobile sector, demand for electric vehicle components is expected to continue growing due to the advance of CASE. In the area of autonomous driving services, their spread into the on-site logistics market is expected in response to the labor shortage caused by Japan's declining population.

In addition to automobiles, there is a growing need in the medical field to expand the dental market due to the aging population in developed countries, and in the agricultural field to improve crop yields to cope with population growth.

◆ Global new vehicle sales composition (passenger cars)



Source: JAMA scenario for carbon neutrality by 2050

Opportunities and Risks

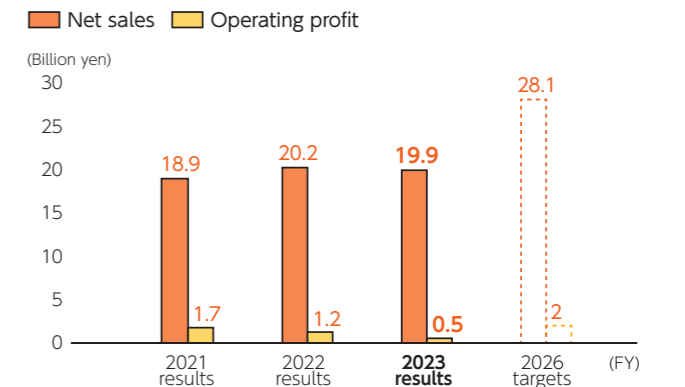
Opportunities	Risks
<ul style="list-style-type: none"> • Electronic components: Growing demand for power card lead frames due to spread of electric vehicles • Magnets: Growing demand for rare earth magnets due to expansion of mobility and energy markets • Dental: Expanding market for dental magnetic attachments due to further aging of the population • Sensors and metal fibers: Growing need for micro-magnetic detection in autonomous driving and medical fields • Iron fertilizers: Biostimulants*1 Expanding market, growing need for alkaline soil remediation 	<ul style="list-style-type: none"> • Rising prices and procurement restrictions on various raw materials and rare earths

*1 Agricultural material that stimulates plants to draw out their natural abilities, thereby maintaining yield and quality and enhancing storage after harvest

FY2023 Results

While net sales were on a par with the previous year due to the steady growth of electric vehicles, operating profit fell over the same period as a result of changes in short-term automobile production trends and a sliding gap in selling prices caused by fluctuations in raw material costs.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

The Smart Company will focus on (1) serving customers by putting them first, (2) securing stable earnings in all businesses, and (3) developing new businesses and fields.

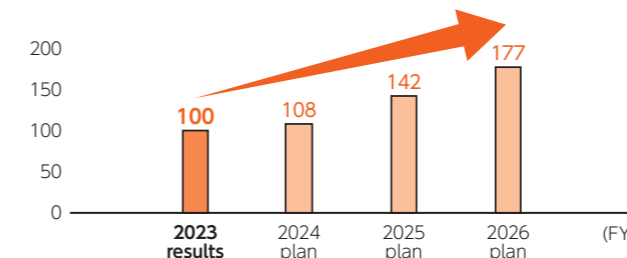
Electronic components business

While steadily proceeding with production to meet demand for lead frames for power cards in electric vehicles, a promising growth market, we will rigorously improving quality, the source of our competitiveness, to solidify our earnings base. We will also strive to achieve sustainable growth and maintain and improve our competitiveness by working closely with our customers to develop products that anticipate market needs.



No.4 production line for power card lead frames

◆ Sales volume of power card lead frames



*Index taking FY2023 sales volume as 100

Magnet business

To avoid the risks associated with procuring rare earths, we will increase our market presence by introducing neodymium bonded magnets, which do not use risky raw materials (Tb, Dy, Co*2) to the market, and by resource saving of highly magnetic bonded magnets, for which demand is increasing

with the progress of electrification of automobiles. We will also build a revenue base for our business by developing new customers in the parts sector, such as for automobiles and home appliances.

*2 Terbium (Tb), Dysprosium (Dy), Cobalt (Co)

Dental business

To expand our share of the domestic market for our lead product, MAGFIT, a dental magnetic attachment, utilizing insurance-covered products, we will build a collaborative structure with our sales partners and strengthen our sales force. We will also launch new products that can be used in a variety of surgical procedures and develop our supply chain with a view to overseas expansion.

Sensors & metal fiber business

With our Global Magnetic Positioning System, GMPS, we will achieve early revenue and profit by developing the market for autonomous transportation within factory premises as an area of focus. Initially, we will target our most prominent customers and then expand strategically. In fields such as security and medical care, we will cultivate a wide range of markets by utilizing the strengths of MI sensors, such as their ultra-high sensitivity, small size, and low power consumption, to solve customers' problems.

Iron fertilizer business

In Japan, we will work to strengthen our competitiveness and expand sales by differentiating our product from the competition as a biostimulant material. Overseas, where future growth is expected, we will develop a sales network, including distributors, for specific crops such as citrus fruits, and promote sales trials. We will also focus on PDMA*3 mass production technology with a view to future business expansion.

*3 Proline deoxymugenic acid, a next-generation iron fertilizer developed jointly by Aichi Steel and Tokushima University that makes it easier for plants to absorb iron even in alkaline soil

Research and Development & Intellectual Property

Research and Development

Basic approach

To achieve the Vision 2030 management guideline of "Creation of a prosperous society through business reform," Aichi Steel believes that conducting research and development in line with our business strategy, and helping to address social issues by reforming existing businesses and creating new businesses, will lead to sustainable growth for the company. For this reason, we have formulated the 2030 Development Vision and established a research and development policy, as well as promoting the effective use of intellectual property.

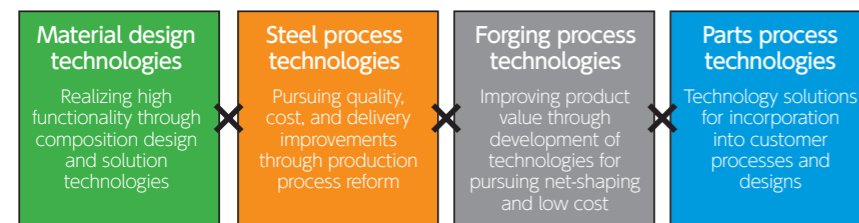
Areas of contribution through research and development

Our 2030 Development Vision was formulated to solve social issues through our business, and defines the priority areas as "autonomous driving," "vehicle electrification," "food," and "health and safety," with a focus on the development of next-generation mobility and products that enrich people's lives. By creating new highly functional products, we will contribute to the realization of a sustainable smart society.

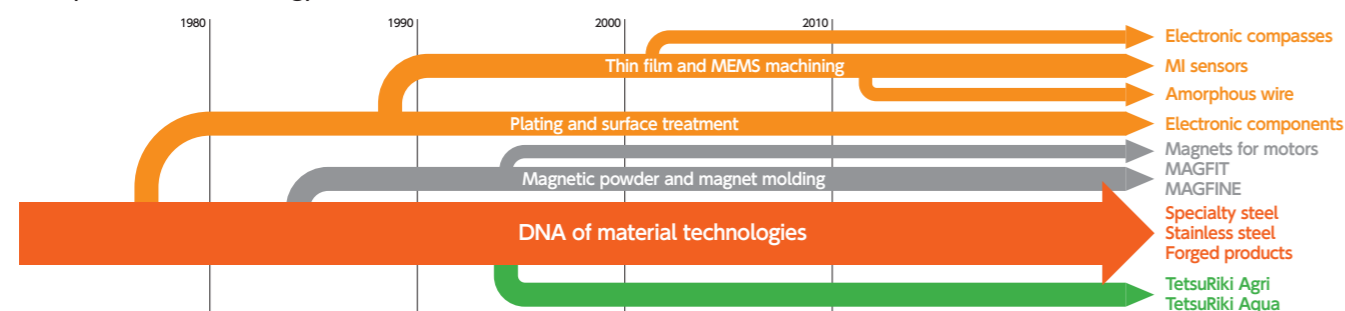
Strengths of "integrated forging with steel making" and "material manufacturer"

Aichi Steel utilizes the strengths of its integrated forging with steel making processes, in which a wide variety of components are added to raw steel scrap to create specialty steel with properties and functions such as strength and heat resistance, and then finished into forged products, and the knowledge it has accumulated as a materials manufacturer since its founding, to develop products that address to changes in society and meet the needs of society.

◆ Development based on integrating forging with steel making processes



◆ Expansion of technology as a materials manufacturer



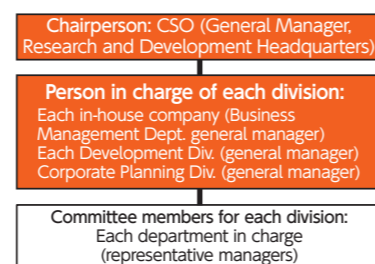
Launch of companywide cross-sectional standardization activities

Standardization activities to establish standards and specifications for new products and technologies are essential for ensuring quality and reliability, returning the fruits of research and development to wider society, and ensuring competitiveness in global business. In FY2023, we established the Standardization Promotion Committee, a companywide, cross-sectional organization. In FY2024, the committee is active in the electric furnace industry, reporting and discussing the status of activities, including environmentally friendly electric furnace steel materials, and making plans for the future.

Standardization promotion structure

Our Standardization Promotion Committee is chaired by our head of R&D, the General Manager of the Research and Development Headquarters, who serves as CSO (Chief Standardization Officer) and oversees standardization, R&D, and intellectual property in an integrated manner. The general manager of each in-house company's business headquarters and the general manager of each development division are also placed in charge of divisions to ensure alignment with business strategies. A representative manager of each division that conducts standardization activities is appointed as a divisional committee member. Led by this committee, we carry out strategic standardization activities throughout the whole company, while focusing on raising in-house awareness and training personnel for standardization.

◆ Standardization promotion structure chart



Intellectual Property

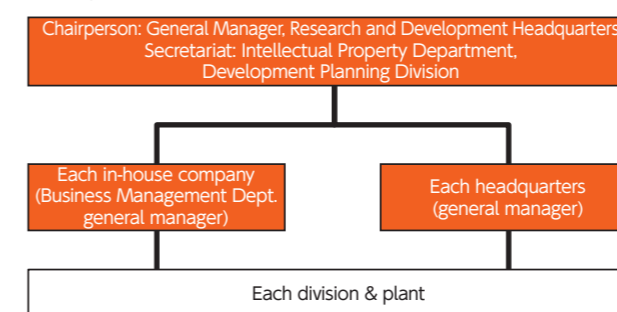
Basic approach

Aichi Steel has established proactive intellectual property (business expansion and challenges), defensive intellectual property (business stability), and basic activities (human resource development and structure building) as its priority policies, setting targets for each and working to promote intellectual property activities that lead to steady growth.

Promotion structure

Aichi Steel has established an Intellectual Property Committee to promote intellectual property activities. The committee is chaired by the Research and Development Headquarters general manager, with general managers of each in-house company, headquarters, and technology division as members.

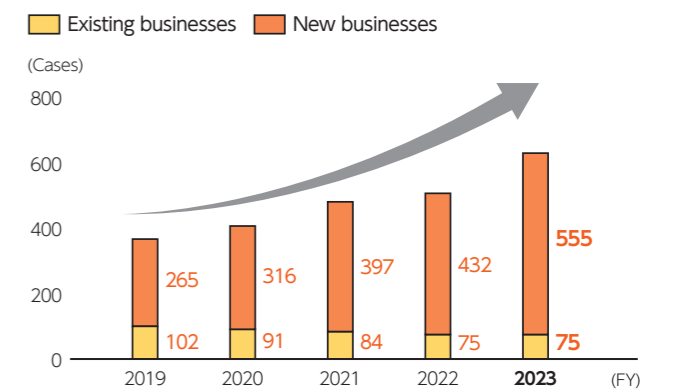
◆ Organization chart



Increase in new business patents and strengthening of patent system

The number of our related patents has increased in recent years as we have stepped up development in new business areas. Besides the conventional protection of intellectual property, our development and intellectual property divisions have strengthened their cooperation and established a system geared toward strategic patent applications that lead to the creation of new value, thereby improving the quality of our patents. We will continue to promote activities aimed at building a patent portfolio that will help us maintain and improve the competitive advantage of our business and expand new business.

◆ Changes in the number of patents held



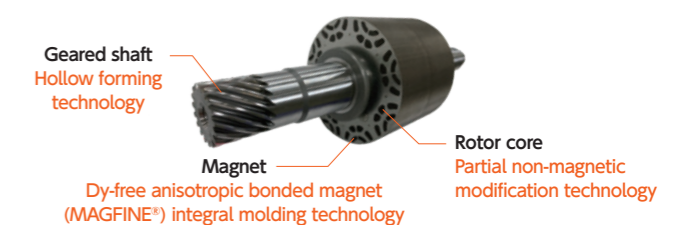
New Business Field Development Initiatives

Autonomous driving enabled by GMPS

Aichi Steel is working toward the early commercialization of our Global Magnetic Positioning System (GMPS), an autonomous driving support system that uses our proprietary magneto-impedance (MI) sensors to detect magnetic markers placed on roads, enabling the estimation of automotive positions with high accuracy on the millimeter scale even in harsh environments. Since 2017, we have conducted more than 30 verification trials in various locations and environments with national and local governments, private companies, and organizations, and have received high ratings in terms of performance and reliability. In 2022, GMPS was adopted for use in an autonomous driving bus operating between Yanaizu Station and Rikuzen-Yokoyama Station on JR East's Kesenuma Line bus rapid transit (BRT). In 2023, it was on track to be put into practical use as an automated traction vehicle on factory premises. We have taken this opportunity to add the on-site logistics market to our focus areas, and are promoting commercialization of GMPS. Utilizing our advanced technical capabilities that have achieved things such as ultra-sensitive MI sensors, high-quality, low-cost, low magnetic-force markers, and our own magnetic field noise elimination system, we are contributing to building a safe and secure mobility society.

Development of materials and parts for next-generation electric axles

To address the growing demand for electric axles accompanying the electrification of automobiles and the risks of resources such as rare earths, we are developing materials and components for motors and reduction gears that will help make electric axles smaller, lighter, and more resource-efficient. We are the first company in the world to successfully verify the technology of a next-generation electric axle with high-speed rotation and high speed reduction by combining a compact, lightweight motor capable of 34,000 rpm and a compact, high reduction gearbox. Utilizing elemental and evaluation technologies obtained as a result of these efforts, such as material design and steel processes, we are promoting the development and commercialization of increasingly high functional parts and materials.



Priority Issues (Materiality)

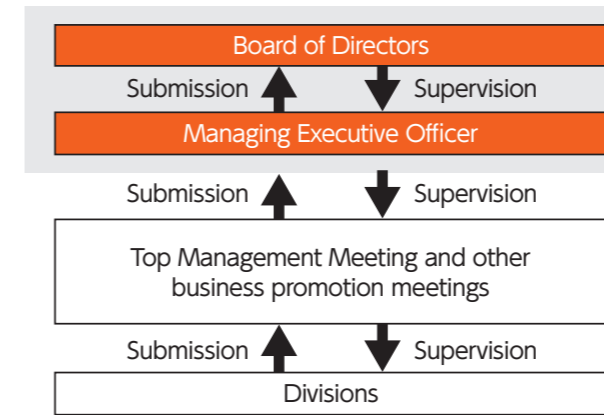
Basic approach

In line with Our Vision, we believe that helping to realize a sustainable society through our business activities will enhance our corporate value in the medium to long term. To realize this, we formulated a basic policy in our Vision 2030: "Enhance earning power by reforming business and manufacturing while implementing ESG management." We have identified key issues to be addressed and set KPIs as specific goals. By working to achieve these, we aim to realize our Vision 2030 and solve social issues.

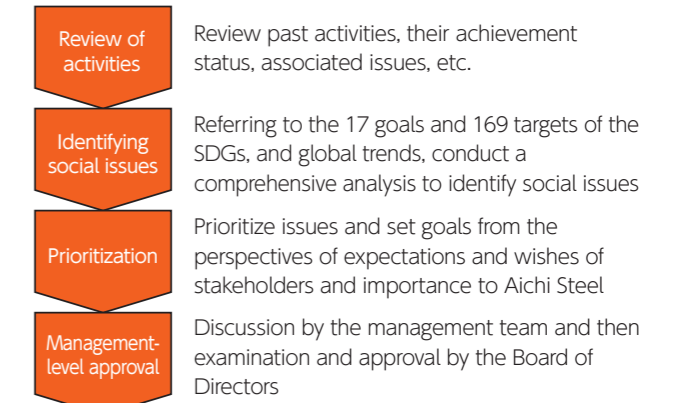
Promotion structure

Under the leadership of the management team, Aichi Steel brings together the cross-division functions of administrative divisions and the business focus of in-house companies to drive our sustainability initiatives. The business promotion councils manage action plans and progress to ensure KPIs are achieved, and regularly report to the Top Management Meeting and Board of Directors. The Top Management Meeting carries out regular reviews based on the progress of each initiative, social trends, and changes in the business environment. After revising priority issues (materiality) and KPIs, and discussing and considering how to reflect the changes in management policy, planning, and strategy, the Top Management Meeting decides important matters through discussion with the Board of Directors.

Management system



Identification process



Materiality	KPI	FY2023 results	Main initiatives	Related SDGs
Climate Change	CO ₂ emission reduction rate (compared to FY2013)	20.5% [Targets] 2030: 50% reduction 2050: Carbon neutrality	<ul style="list-style-type: none"> Promoting thorough energy-saving activities by streamlining manufacturing processes, etc. Promoting the use of clean energy such as solar power generation, including in-house power generation Developing innovative technologies such as high-efficiency electric furnaces and the use of hydrogen and ammonia 	7, 13
Resource Recycling	Byproducts sent to landfill	2,430 t/year	<ul style="list-style-type: none"> Promoting recycling of by-products (slag, dust, scale, etc.) Promoting efforts to keep SO_x and NO_x emission levels low 	9, 12
	Atmospheric pollutant emissions (NO _x , SO _x)	Total emissions: NO _x 96 t/yr, SO _x 1.90 t/yr		
	Industrial wastewater pollution load (COD, nitrogen, phosphate)	COD 10.57 t/yr, nitrogen 4.87 t/yr, phosphate 0.19 t/yr		
Procurement	Green Procurement Guidelines dissemination rate	100%	<ul style="list-style-type: none"> Promoting environmental conservation activities in cooperation with suppliers based on Green Procurement Guidelines (e.g. priority purchasing of environmentally friendly products) Complying with desirable business practices (promotion standards) with suppliers based on Declaration of Partnership Building 	12
	Number of breaches of the Subcontracting Act	0		
Technology Innovation	Number of patent applications	61	<ul style="list-style-type: none"> Promoting R&D and early commercialization integrated with business strategy to realize "Creation of a prosperous society through business reform" Strengthening development foundation through AI and other advanced IT and analytic technologies and strategic patent applications 	9
Cybersecurity	Serious incidents due to cyberattacks	0	<ul style="list-style-type: none"> Enhancing security through establishment of internal structures, and communication, education, and inspection of rules, in compliance with the All Toyota Security Guidelines (ATSG) shared by Toyota Group companies, etc. 	9
Quality and Production	Number of defects released to customers	19	<ul style="list-style-type: none"> Further strengthening quality management systems through acquisition of IATF 16949 certification Implementing measures to prevent recurrence of complaints by pursuing the true cause more thoroughly Establishing a production base capable of providing a stable supply of TPS-based products in a timely manner 	12
	Crude steel production	943,000 tons		
	Forged product production	242,000 tons		
	Electronic component production	45.6 million sets		
Safety and Health	Number of serious accidents	0	<ul style="list-style-type: none"> Creating a place where accidents do not occur based on a safety risk assessment Promoting recurrence prevention to eliminate similar accidents Promoting health management to maintain and improve mental and physical health 	3, 8
	Lost worktime rate due to injury or sickness	0.95%		
Workstyles and Human Resource Development	Days of annual paid leave taken	15.2 days	<ul style="list-style-type: none"> Establishing flexible work systems enabling employees to balance work and life events Developing and introducing a workplace environment and personnel system for diverse employees to be highly motivated and flourish Improving off-the-job training based on an education system according to job classification and level, and investing in skills and potential development in step with management strategy 	8, 10
	Monthly overtime (per person, office)	13.9 hours		
	Education time per person	13.4 hours		
Diversity	Number of female managers	5		15
Coexistence with Community	Volunteer activity participation rate	78%	<ul style="list-style-type: none"> Promoting biodiversity preservation and activities to achieve harmony with nature through efforts such as creating a natural ecosystem in the Nakashinden green space around our plant (about 20,000 m²) Communication with local communities through social contribution activities 	15
Human Rights	Human rights education in job-specific training	100%	<ul style="list-style-type: none"> Business activities that respect human rights in accordance with the Aichi Steel Group Action Guidelines Fostering high ethical standards and human rights awareness through employee education Development and strengthening of human rights protection systems, including whistle-blowing system 	16
Legal Compliance	Serious violations of laws and regulations	0	<ul style="list-style-type: none"> Sharing a high level of ethics, improving awareness and knowledge through training and seminars, etc., and continuing to strengthen internal structures that eliminate violations, in line with the Aichi Steel Group Action Guidelines 	16

*FY2023 results are non-consolidated for Aichi Steel

Climate Change Initiatives

Basic approach

Aichi Steel emits CO₂ both directly and indirectly through the manufacturing processes of its various products, such as heating of steel materials, and melting of steel scrap, which is the raw material of its main product, specialty steel. For this reason, our response to climate change is a serious management issue from the perspectives of risks and opportunities. We are accelerating our efforts to decarbonize with the goal of achieving carbon neutrality as early as 2050.

As a resource circulation company that uses steel scrap as a raw material in manufacturing, we will utilize our strengths, which have contributed to sustainable manufacturing through materials and parts, to help realize a decarbonized society. To this end, we will also continue to develop and provide products and services that contribute to reduced CO₂ emissions across the entire supply chain.

Information disclosure and support of TCFD recommendations

In 2021, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have been analyzing various scenarios based on the impacts, and associated risks and opportunities, that climate change may have on our business, and have considered how to reflect the results in management strategy to achieve sustainable growth. We detail our climate-related initiatives here in line with the framework (governance, strategy, risk management, and metrics and targets) recommended by the TCFD.

considering matters that are particularly important.

We have also established an Environmental Working Group to execute strategies, set targets, and manage progress related to climate change. It comprises seven subcommittees, each with clear areas of responsibility, to conduct efficient and targeted activities. In FY2024, we established a new Sustainability Promotion Dept. to plan and promote our companywide response to sustainability issues for further bolstering our efforts.

Main agenda items in FY2023

Meetings	Main agenda items
Board of Directors	<ul style="list-style-type: none"> CO₂ emission reduction targets and plans for 2026 (discussion) Actions for energy conservation and shifting to non-fossil energy (discussion) CO₂ emissions results and progress of reduction plan (monthly)
Top Management Meeting	<ul style="list-style-type: none"> Future issues and actions for GX (discussion) Considering the introduction of non-fossil energy sources (discussion/report) Addressing climate change and water security (discussion) GX League activity results (report) CO₂ emissions results (monthly)

Governance

We have identified climate change as a priority issue (materiality) for management, and are setting KPIs and working to accomplish our targets.

As the organization responsible for considering important business management-related matters, the Top Management Meeting discusses and considers response policies, business strategies, and the status of initiatives related to risks and opportunities that can severely impact business management, such as climate change. The Board of Directors performs its supervisory function by receiving subsequent reports and

Organization chart



Risk management

We follow the process below to identify, evaluate, and supervise all risks. We also discuss and report climate change-related risks in the Environmental Working Group and Top Management Meeting to clarify impacts and our responses.

Strategy

While referencing reports of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), we developed two scenarios (1.5°C scenario and 4°C scenario) of what society would look like in 2030 assuming a global average temperature rise of 1.5°C and 4°C by the end of this century (compared to pre-industrial levels), and analyzed the risks and opportunities.

Risk management process

Extraction	Business divisions & functional divisions	Extraction of risks, including climate change, from business type, business characteristics, and social circumstances
Identification and evaluation	Environmental Working Group Capital Investment Board Production Meeting, etc.	Identification of risks that can severely impact business management from impact level, frequency, time, and other factors
Countermeasures	Top Management Meeting	Establishment of countermeasures for major risks, setting of relevant management indices, and incorporation of those indices in the management plan
Supervision	Board of Directors	Consideration of the management plan by the Board of Directors, which performs its supervisory function by regularly checking execution status and progress of management indices

Analysis results by scenario

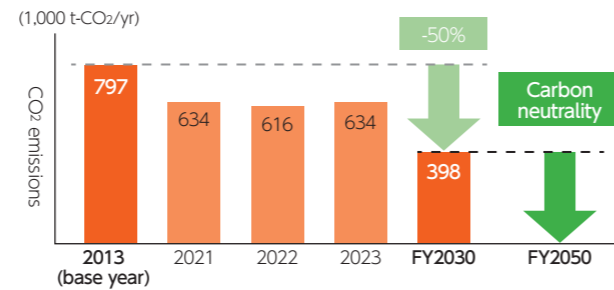
Scenarios	Analysis results	Our response to scenario
1.5°C	<ul style="list-style-type: none"> Demand for specialty steel and forged products for conventional internal combustion engines is falling as the automotive industry, a major customer base for us, becomes increasingly electrified. On the other hand, demand for specialty steel for electric vehicles, such as high strength gear steel, forged products, and electronic components, will increase. The autonomous driving market is also expected to expand Demand for electric furnace steel material with low CO₂ emissions during manufacturing will increase 	<ul style="list-style-type: none"> Although falling demand for specialty steel and forged products may be a risk, there could be opportunities for new growth due to our core business strengths: specialty steel and parts for automobiles using electric furnaces, lead frames for power cards for electric vehicles, and our Global Magnetic Positioning System using magnetic markers.
4°C	<ul style="list-style-type: none"> Increased risk of production stoppages and supply chain disruptions due to extreme weather events and natural disasters such as typhoons and heavy rains Increased risk of reduced crop yields and quality loss due to extreme weather events and high temperatures 	<ul style="list-style-type: none"> We will continuously review our adaptation to natural disasters and our business continuity plan (BCP), and minimize damage by strengthening supply chains Can expect to contribute to solving agricultural problems by expanding the use of PDMA, a next-generation fertilizer that supplies iron, and which is being promoted as a new business

Main risks and opportunities, and response policies (excerpt)

Scenarios	Climate-related matters	Impact on Aichi Steel	Response policies
1.5°C	Major transition in the automotive industry • Electrification • Autonomous driving	<ul style="list-style-type: none"> Risks: Reduced demand for specialty steel and parts (forged products, etc.) due to increased electrification Opportunities: Increased demand for materials and products for electric vehicles • Expansion of the autonomous driving market 	<ul style="list-style-type: none"> Maintain business by capturing demand for specialty steel and forged products for electrified vehicles Develop high-performance, high-value-added materials and products (e.g., next-generation electric axles) Expand the use of Global Magnetic Positioning System (GMPS)
	Increased demand for decarbonization in society • Demand for electric furnace steel, etc.	<ul style="list-style-type: none"> Opportunities: Increased demand for electric furnace steel with low CO₂ emissions and outstanding recycling properties 	<ul style="list-style-type: none"> Develop high-quality, highly functional products that meet the diversifying needs of users, and build stable supply systems
	Adoption of carbon pricing • Carbon tax, etc.	<ul style="list-style-type: none"> Risks: Increased operating costs associated with use of fossil fuels • Increased operating costs due to rising renewable energy prices 	<ul style="list-style-type: none"> Consider development of energy-efficient production technologies and introduction of high-efficiency equipment Introduce and expand renewable energy with on-site power generation, etc.
	Restricted supply of raw materials and other resources	<ul style="list-style-type: none"> Risks: Supply shortages, reduced quality, and increased costs associated with increased demand for steel scrap • Instability of procurement of rare metals and rare earths 	<ul style="list-style-type: none"> Strengthen and expand circulation schemes in cooperation with customers, and establish of low-grade scrap utilization technology Improve supply chain management, including procurement multi-sourcing
4°C	Natural disasters • Increased intensity and frequency, etc.	<ul style="list-style-type: none"> Risks: Damage to own facilities, and operation stoppages due to supply chain disruptions 	<ul style="list-style-type: none"> Minimize impacts through ongoing BCP measures and supply chain resilience

Indicators and targets

We are contributing to the realization of a decarbonized society by targeting a 50% reduction in CO₂ emissions from our business operations in FY2030, compared to the FY 2013 level. As well as promoting technological development in production processes and implementing energy-saving activities with full employee participation, we are taking active steps to reduce CO₂ emissions, such as introducing more solar power generation and other non-fossil energy sources. In FY2023, we achieved steady results, with 20.5% less emissions than in FY2013.



Scope of calculations: Total of Scope 1 and 2 energy sources of Aichi Steel alone (Previous years' figures retroactively adjusted following a review of data collection targets, factors, etc.)
 Conversion factor: Calculated based on the "Act on Rationalizing Energy Use and Shifting to Non-fossil Energy" (Agency for Natural Resources and Energy) and the emission coefficient of the contracted electric power company for the respective year

Roadmap to carbon neutrality by 2050

Aichi Steel has formulated and is systematically implementing a roadmap for achieving its targets. We have also detailed plant-specific roadmaps, and we are systematically conducting activities focused on (1) deepening and pursuing energy savings, (2) utilizing

renewable energy, and (3) developing and adopting decarbonization technologies.

In FY2023, we drew up a roadmap for GHG reduction for the Group's eight domestic subsidiaries and started activities to reduce GHG emissions.

	2020	2030	2040	2050	Reduction targets (compared to FY2013)
(1) Deepening and pursuing energy savings	Reduction of emissions intensity through improved equipment and operations				2030 15% or more reduction 2050 35% reduction
	Reform of production processes through production line consolidation and process shortening				
(2) Utilizing renewable energy	Adoption of renewable energy electricity				2030 35% or more reduction 2050 65% reduction
	Adoption of carbon neutral city gas				
(3) Developing and adopting decarbonization technologies	Adoption of solar power generation for on-site consumption (self-production for self-consumption)				2030 35% or more reduction 2050 65% reduction
	Fuel conversion (heavy oil → city gas) → Verification of practical hydrogen technology → Companywide deployment				
	Adoption of technologies that facilitate use of exhaust heat				
				Adoption of CO ₂ capture, utilization and storage (CCUS) technologies	

Specific initiatives

Utilization of renewable energy

The large amounts of electricity used in Aichi Steel's specialty steel manufacturing processes have made it essential for the company to shift to electricity derived from renewable energy. Therefore, in addition to thorough efforts to conserve energy and improve efficiency, we are actively promoting adoption of such electricity. In fiscal 2022, five of our seven plants (Seki Plant, Gifu Plant, Higashiura Plant, Electronic Components Plant, and Kariya Plant) effectively

achieved carbon neutrality through the purchase of FIT non-fossil certificates with tracking^{*1} and adoption of carbon neutral city gas^{*2}. In FY2023, two of these plants (Seki and Gifu) began solar power generation using on-site PPAs, reducing their annual CO₂ emissions by more than 700 tons.

In addition to electric power, we are contributing to the creation of a decarbonized society by exploring the use of various renewable energy sources, including studying the conversion from city gas and other energy sources

used at our plants to hydrogen through participation in the Chubu Area Hydrogen Utilization Council.

*1 Certificates of the environmentally friendly value of electricity generated by non-fossil power sources (power sources that generate electricity without using fossil fuels such as coal and oil), which are subject to the FIT program established to promote the spread of renewable energy
 *2 City gas produced using carbon neutral LNG, in which CO₂ generated in the processes from mining to the combustion of natural gas is offset by CO₂ credits (carbon offsetting)

Collaboration with society

We participate in the GX League^{*3}, established in FY2023 at the initiative of the Ministry of Economy, Trade and Industry as a space for industry, government, and academia to work together toward achieving carbon neutrality and social change by 2050. A decarbonized society requires the widespread use of environmentally friendly green commercial products, which in turn requires a social system that recognizes

the environmental value of products. We participated in an initiative to develop such rules, called the working group for considering adding value to green products^{*4}. In December 2023, the working group formulated and published its Proposal for Value-Adding to Green Products. We have also been actively involved in the development of rules for the electric furnace industry.

Through these activities, we seek to expand the use of products and services that contribute to decarbonization, and to maintain and strengthen competitiveness in the specialty steel industry in Japan.

*3 Established by the Ministry of Economy, Trade and Industry in March 2022 as a forum for a group of companies actively engaged in GX (Green Transformation) to discuss the transformation of the entire economic and social system and to put into practice new market creation.
 *4 One of the proposal-based working groups formed by companies that have expressed their support for the GX League. It is working to formulate recommendations about common rules for value creation in green products and low-carbon products.

CO₂ emissions by scope

Management indices	CO ₂ emissions (1,000 t-CO ₂)				Calculation methods
	FY2013 (base year)	FY2021	FY2022	FY2023	
Scope 1	257	256	222	224	Refer to Scope 1 & 2 calculation method below
Scope 2	540	378	394	410	
Scope 1 + Scope 2 (Reduction rate compared to FY2013)	797	634	616	634 (20.5%)	
Emissions intensity of production (kg-CO ₂ /t)	586.2	470.1	540.4	531.4 (9.3%)	
Scope 3					
1. Purchased goods and services	N/A	948	793	822	Calculated by multiplying purchased amounts of raw materials and other resources (weight or purchase price) by the emissions intensity
2. Capital goods	N/A	30	37	50	Calculated by multiplying capital expenditures by the emissions intensity
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	N/A	126	110	114	Calculated by multiplying usage amounts of purchased electricity and fuel by the emissions intensity
4. Upstream transportation and distribution	N/A	43	37	36	Calculated by multiplying transportation distances, and transportation means and distances for Category 1 purchases, according to the Energy Saving Act report, by the emissions intensity
5. Waste generated in operations	N/A	11	10	10	Calculated by multiplying the emissions intensity for each type of waste
6. Business travel	N/A	0	0	1	Calculated by multiplying payment amounts for each travel means by the emissions intensity
7. Employee commuting	N/A	3	3	3	Calculated by multiplying payment amounts for each travel means by the emissions intensity

• Figures in the above table are rounded off to the nearest 1,000 tons, with 0 representing less than 500 tons
 • Previous years' figures retroactively adjusted following a review of data collection targets, coefficients, etc.
 <Scope of calculations> Scope 1 & 2: Energy sources of Aichi Steel alone; Scope 3: Applicable category for Aichi Steel alone
 <Scope 1 & 2 calculation method> Calculated based on the "Act on Promotion of Global Warming Countermeasures" (Ministry of the Environment), "Table of Standard Calorific Values of Energy Resources and Carbon Emission Coefficients" (Agency for Natural Resources and Energy), and the emission coefficient of the contracted electric power company for the respective year
 <Scope 3 emission intensity> "Emission Intensity Database for Calculating Greenhouse Gas Emissions and Other Emissions of an Organization through its Supply Chain (Ver 3.4)" (Ministry of the Environment, March 2024) and "LCI Database IDEA Version 2.3" (Advanced LCA Research Group at the Research Institute of Science for Safety and Sustainability of the National Institute of Advanced Industrial Science and Technology, and Sustainable Management Promotion Organization)



We have undergone independent third-party verification by SGS Japan Inc. to improve the reliability of our greenhouse gas emissions.
<https://www.aichi-steel.co.jp/sustainability/esg/verification.pdf>

Environmental Management/Resource Circulation/ Biodiversity

Environmental Management

Basic approach

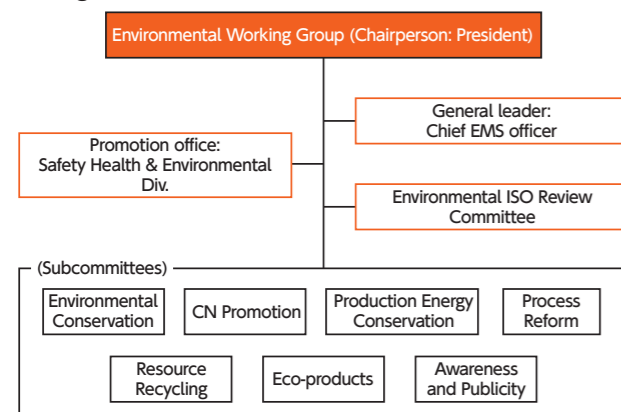
To achieve the Vision 2030 management guideline of "Contribution to a sustainable global environment," Aichi Steel formulated the Aichi 2025 Environmental Action Plan to chart a course of action through to 2025. It defines targets that should be accomplished by 2025, and we are currently working to achieve these targets, focusing on the three pillars: eco-energy, eco-production, and eco-management.

	Initiatives	Targets for 2025
Eco-energy	<ul style="list-style-type: none"> Pursuing energy efficiency Reforming manufacturing processes Adopting clean energy 	CO ₂ emissions: 29% reduction (compared to FY2013)
Eco-production	<ul style="list-style-type: none"> Developing eco-friendly products and technologies Contributing to next-generation infrastructure Pursuing resource circulation 	Amount of landfill waste: 2,400 t/year or less
Eco-management	<ul style="list-style-type: none"> Ensuring environmental responsibility Conserving nature and biodiversity Disseminating and disclosing environmental information 	Nakashinden environmental indicator species: Attract 27 species

Promotion structure

Aichi Steel is working to implement environmental management through effective employment of the PDCA cycle mainly through the Environmental Working Group, which operates under the supervision of its Board of Directors with the president as chairperson. The Environmental Working Group is in charge of executing strategy, establishing targets, and checking progress in accordance with company policies and the Aichi Environmental Action Plan. Seven subcommittees have been established under the Environmental Working Group with clear areas of responsibility to promote efficient and targeted activities based on specialized perspectives. In addition, the Aichi Steel Group Environmental Committee was established to share information and successful case studies to promote Groupwide activities.

Organization chart

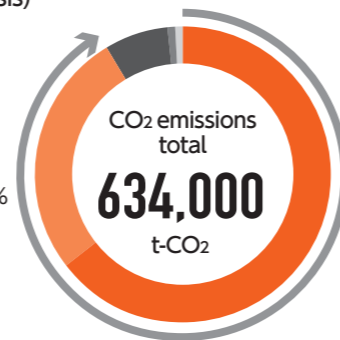


Eco-energy

Approximately 90% of our CO₂ emissions come from electricity and city gas used to melt steel scrap and heat steel materials. Based on the roadmap formulated toward achieving carbon neutrality by 2050, we are promoting the reduction of energy consumption through efforts to deepen the energy-saving technologies that we have cultivated, the elimination of waste in our daily operations, and drastic improvements in manufacturing processes. In FY2023, we conducted 251 energy-saving activities. We have also actively engaged in energy-saving activities outside the manufacturing process, such as visualizing the power consumed on each office floor by use, and implementing an Office Energy-Saving Challenge Award System to recognize offices that have contributed to energy-saving activities.

◆ Breakdown of CO₂ emissions in FY2023 (Scope 1 + Scope 2 emissions from Aichi Steel on non-consolidated basis)

- Electricity 64.7%
- City gas 26.9%
- Coke 6.9%
- Heavy oil class A 0.8%
- Other 0.7%



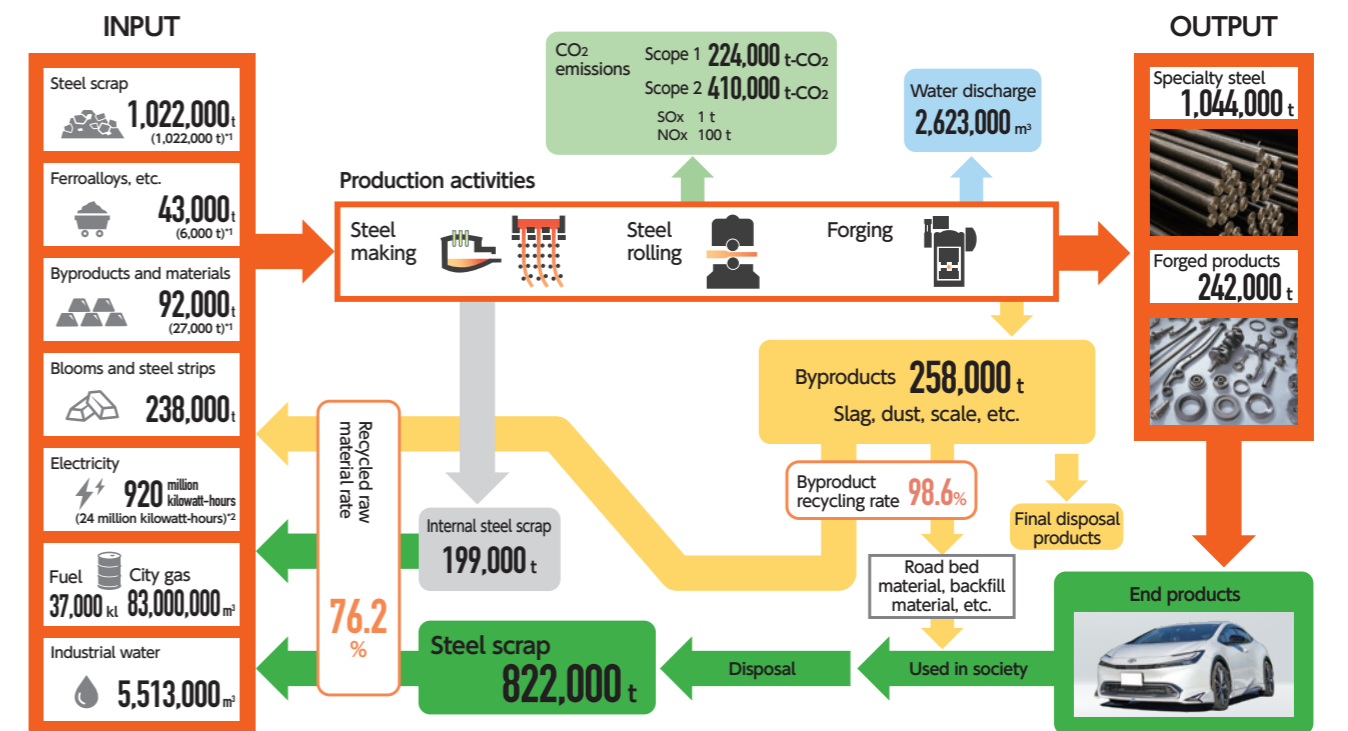
Subcommittees	Roles
Environmental Conservation	Abnormality and complaint prevention, biodiversity and green space conservation activities
CN Promotion	CO ₂ related information gathering, strategic planning, etc.
Production Energy Conservation	Improving energy conservation, production efficiency, etc.
Process Reform	Developing innovative technologies in production processes, etc.
Resource Recycling	Initiatives to reuse resources, reuse waste and raw materials, etc.
Eco-products	Developing environmentally friendly products, etc.
Awareness and Publicity	Messaging internally and externally to promote activities such as CN and SDGs

Resource Recycling

Eco-production

Aichi Steel is a resource circulation company that both recirculates steel resources and achieves economic value, by recycling steel scrap generated from the dismantling of automobiles and infrastructure into high-quality specialty steel products, automotive

components, and other products. We aim to transition to a circular economy by further accelerating our efforts to reuse products and parts and recycle waste and raw materials while reducing resource input and consumption through the efficient use of resources and energy.



*1 Figure in parentheses represents recycled raw materials *2 Figure in parentheses represents electricity derived from renewable energy sources

Biodiversity

Eco-management

Based on the belief that symbiosis with local communities and nature is necessary for its sustainable growth, Aichi Steel is working on local environmental conservation activities in collaboration with related organizations.

Biodiversity conservation initiative

Aichi Steel has been working since fiscal 2012 to create an environment where 50 indicator species can flourish in the Nakashinden green space adjacent to the Chita Plant under the slogan of "creating a forest where beetles live." The Nakashinden green space is part of the Chita Peninsula Green Belt, which is a collaboration of 11 organizations, including our company, government, students, experts, and NPOs, and has been certified as one of the first "Natural Symbiosis Sites*" under the Ministry of the Environment's certification system

launched in FY2023.

Aichi Steel also uses Aichi water, which has its source in Otaki Village, Nagano Prefecture, for its operations. As part of our activities to protect this water source, we have been engaging in water source forest cultivation activities since 2006. In 2019, we concluded a "forest caretaker" agreement with Otaki Village. Approximately 28.4 hectares of forest has been designated as the "Forest of Aichi Steel Group," where our employees and their families regularly clear trees and prune branches. We are working with the village of Otaki and local residents to create a rich forest, and in FY2023 we planted 350 saplings.

*An area designated by the government as "an area where biodiversity is being conserved through private sector initiatives, etc." Part of Japan's 30 by 30 initiative based on the G7 2030 Nature Compact agreed to at the G7 Summit in June 2021.

Diversity and Inclusion/Human Resource Development

Diversity & Inclusion

Basic approach

Aichi Steel believes that employees with diverse values, abilities, and experiences fulfilling their potential by accepting and learning from each other will lead to the creation of new value. To this end, we are committed to securing and training human resources and improving our in-house environment.

Promoting advancement of women

Aichi Steel is committed to creating an environment in which women can choose flexible workstyles to pursue their goals. We support career development through training and other measures, and have adopted systems to help women balance work and life events. These include the Nice Family System, which is centered on childcare and nursing care support systems, as well as flextime system without a core period and working from home system. We are also focusing on awareness initiatives, such as providing e-learning on childcare support systems to all managers, in order to promote understanding in the workplace and among supervisors and make it easier for employees to take childcare leave regardless of their gender. As a result, in FY2023, the percentage of male employees taking childcare leave increased significantly from the previous year to 69.7%.

		FY2022	FY2023
Rate (and number) of female managers ¹		1.0% (4 people)	1.3% (5 people)
		33.3% (22 people)	69.7% (53 people)
Wage difference between male and female employees ^{1,3} (%)	All employees	66.5%	65.4%
	Full-time employees	68.2%	68.2%
	Part-time/temporary employees	68.7%	62.0%

¹ Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life"

² Based on the provisions of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members," calculating the percentage of childcare leave, etc. taken under Article 71-4, Item 1.

³ There are no gender differences in our pay and evaluation systems, and any wage differences between men and women are due to factors such as length of service, the ratio of men to women in manager positions, and the ratio of men to women in different positions at different pay levels.

Senior employee participation

In view of the declining labor force and the need to maintain and improve on-site capabilities, we believe it is important to maximize the performance of our senior employees (aged 60+). We have established a "Nice Senior System" that allows all those who wish to continue to work from their retirement age until their pension benefits begin. We are improving work environments and reviewing compensation packages

while holding discussions with labor and management to ensure that senior employees can continue to work with a sense of security and a high level of motivation. We also conduct initiatives to help senior employees develop self-sustaining careers, including seminars on such topics as "Ways of Working," "Retirement Benefits and Pensions," and "Health and Diet" for those who have reached the age of 55, as an opportunity for them to rethink their future career plans and the meaning of work. Our post-retirement reemployment rate for FY2023 was 91% (107 out of 117 people).

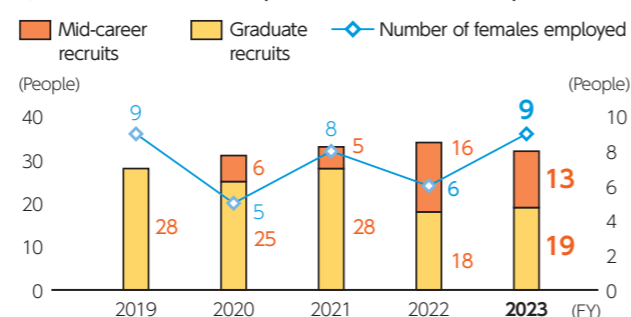
Expansion of vibrant workplaces for people with disabilities

As well as systematic regular and mid-career hiring, we are taking various steps to enable employees with disabilities to play an active role in a wide range of workplaces, including manufacturing sites and administrative departments. With a focus on work motivation and how well each individual's unique characteristics fit the job description, we determine assignments based on a series of practical workplace training and interviews. We are also taking various measures to fully utilize the potential of employees with disabilities after assignment, such as regular meetings with the employee concerned, follow-up with their workplaces, and other support and consideration led by the Vocational Life Consultants for Persons with Disabilities. In addition, to eliminate obstacles making it difficult for employees with disabilities to work, we are also committed to expanding the number of workplaces available to them through the introduction of barrier-free facilities, support for career development, and initiatives to raise employees' awareness and improve understanding.

Mid-career recruitment

In these times of growing uncertainty, we believe that we need more advanced knowledge, diverse experience, and abilities than ever before in order to solve social issues with speed through our business. For this reason, we are focusing on mid-career recruitment, especially in our priority areas such as DX and research and development. In FY2023, we hired 13 employees in general positions. (Rate of mid-career recruitment: 40.6%)

◆ Number of recruits (General technical staff)



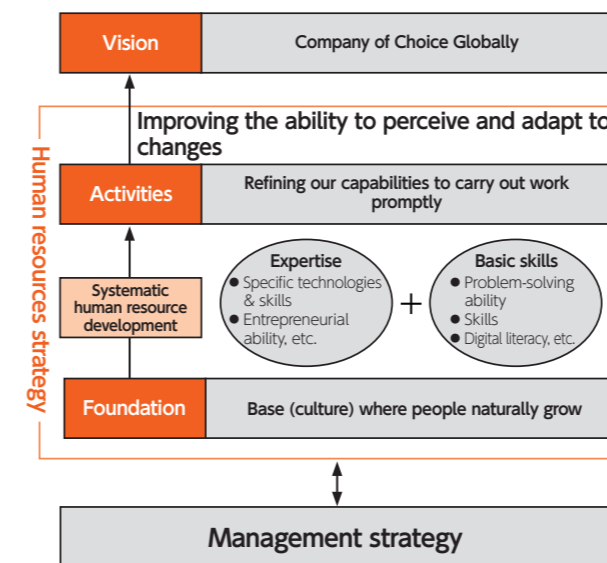
Human Resource Development

Basic approach

Aichi Steel is committed to developing human resources who can improve their basic skills, which are needed in any environment, and their expertise necessary to adapt to changes, and are able to think and act independently, while practicing the Aichi Way, a set of shared values that must be held by all employees of the Aichi Steel Group whose key words are "Sustain," "Appreciate," and "Create."

Strengthening basic skills and expertise

To strengthen the basic skills required for our operations, Aichi Steel is focusing on three areas: problem-solving capabilities, which are the foundation of work, skills for strong workplace capabilities, and digital literacy, which has been newly added. Our basic approach is to acquire problem-solving capabilities and skills through on-the-job training based on "Genchi-Genbutsu," and to enhance their effectiveness through off-the-job training (group education, training, etc.) We provide digital literacy education mainly through e-Learning, with a menu of educational programs according to the proficiency level of each individual, thereby efficiently improving their skills. In addition, to support self-development efforts, we provide correspondence courses, study assistance, and certification incentive programs to strengthen expertise.



On-the-job and off-the-job training

We actively and systematically implement on-the-job training, based on the belief that experience and learning through "Genchi-Genbutsu" (on-the-job experience) are essential for human resource development. We have established a system in which each employee reviews their future career plan and regularly discusses with their

superior their work assignments and goals for acquiring the skills and knowledge necessary to realize the plan and for developing competencies. Efforts are also made to enhance the effectiveness of our various training programs, such as managers and supervisors instructing junior employees to achieve a synergistic effect between on-the-job and off-the-job training, and top management giving talks on their own experiences to raise participants' motivation.

Digital literacy education

To maintain and improve competitiveness, we recognize that in addition to initiatives at manufacturing sites such as smart factories, we need to promote DX to transform our operations, organization, and corporate culture, and we are working to strengthen the development of our DX human resources. In FY2023, we are speeding up our development of DX leaders by conducting basic digital literacy education, and by determining the DX level of every employee through a DX assessment and using it to build a future education system. We are also working to promote DX companywide by fostering awareness through such events as a Hands-on DX Exhibition and a Generative AI Application Contest.



◆ DX human resource targets

	DX level required	Targets for 2026
DX leaders	Have the ability to lead digital human resources to promote DX	125 people
DX members	Possess digital technology and have the ability to promote operational transformation	515 people
General technical & business staff	Have the ability to use digital technology to promote operations	900 people

Efforts to develop human resources for executives

We are engaged in ongoing and systematic training to acquire new management personnel. To increase the self-awareness of the candidates, managing executive officers themselves serve as instructors, and the content focuses on mindset. In addition to equipping them with management and leadership skills that enable them to see and think from a companywide perspective and to create management ideas, we also hone their boldness, vision, sense of speed, and other qualities necessary for assuming higher responsibilities.

Initiatives to Respect Human Rights

Basic approach

Due to the increasing importance of respect for human rights in business globally, plus other factors such as diverse values and globalization of supply chains, there are strong expectations that companies will consider human rights in their corporate activities. To realize a sustainable society, our group will provide value to society and continue to be selected and trusted by society at large. We promote efforts to respect the human rights of all people involved in our corporate activities by dealing with each and every one of our stakeholders with sincerity.

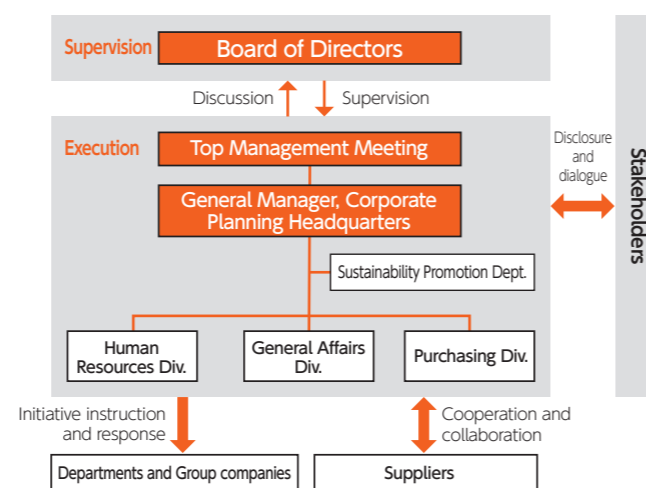
Human rights policy

The Aichi Steel Group Human Rights Policy was established in March 2023 to define the kind of management that values people, including the company's common values, the Aichi Way, and to promote understanding and raise awareness both internally and externally. Based on the United Nations Guiding Principles on Business and Human Rights (UNGPR), this policy is positioned as the highest level of human rights policy that all officers and employees of our group should comply with. Our suppliers and other business partners have also expressed their understanding and support for it.

Promotion structure

With the General Manager of the Corporate Planning Headquarters in overall charge and the Sustainability Promotion Department as secretariat, the Human Resources Division, General Affairs Division, Purchasing Division, and other related divisions have collaborated to formulate action plans, share initiatives between divisions, and share and discuss social trends regarding human rights. They then report the details of these activities to the Top Management Meeting as appropriate. The Board of Directors monitor and supervise by receiving reports.

◆ Promotion structure chart



◆ Roles of each meeting

Meetings	Composition	Respect for human rights roles
Board of Directors	Chair: Chairman Outside Directors (2) Inside Directors (4)	<ul style="list-style-type: none"> Discuss formulation and revision of human rights policy Receive and supervise reports from the executive on status of initiatives to respect human rights, etc.
Top Management Meeting	Chair: President Chairman, Executive Vice Presidents In-house Company Presidents, General Managers	<ul style="list-style-type: none"> Discuss policy and action plans related to respect for human rights Corporate action guidelines, procurement policies, etc. Human rights issue evaluation/identification and prevention/mitigation measures, etc.

◆ Roles of each division

Divisions	Roles
Human Resources Div.	<ul style="list-style-type: none"> Human rights awareness and education, etc. Support for participation of diverse human resources, etc.
General Affairs Div.	<ul style="list-style-type: none"> Development and operation of the grievance remedy mechanisms
Purchasing Div.	<ul style="list-style-type: none"> Human rights due diligence (Suppliers) Collaborative and cooperative activities with suppliers
Sustainability Promotion Dept.	<ul style="list-style-type: none"> Human rights due diligence (in-house and Group companies) Planning and management of human rights respect initiatives Information disclosure

For more information on our Human Rights Policy, click here.



https://www.aichi-steel.co.jp/sustainability/policy_humanrights.pdf

Employee awareness and understanding

Aichi Steel is actively promoting awareness-raising and penetration activities to ensure compliance with our human rights policy. As well as conducting human rights education by job level (new hires, career hires, mid-career employees, promoted employees, etc.), we have revised and widely distributed the AICHI STEEL Group Action Guidelines, which specifically set out actions to be taken by all officers and employees of the Group. In FY2024, we will confirm the level of understanding and penetration of compliance among employees through a Compliance Awareness Survey while continuing our awareness-raising activities. At our overseas group companies, we have begun to develop and distribute our human rights policy translated into local languages.

Human Rights Due Diligence

We conduct human rights due diligence to counter human rights risks that may arise in the course of our business activities. In FY2023, as a first step, we implemented a self-check via a self-survey questionnaire for Japanese group companies. We also conducted a desk study of human rights risks using information collected from secondary suppliers and beyond, to identify and assess human rights risks in our Japanese group's major supply chains, including our company's own. In FY2024, we are identifying negative impacts on

our company and our Japanese group companies and promoting efforts to prevent and mitigate them. We are also conducting self-evaluation surveys for about 100 primary suppliers of major procurement items to identify key issues that should be prioritized in supply chains.

Consultation contact point

We have introduced an internal whistle-blowing system for the Aichi Steel Group and suppliers in Japan, and have established an in-house consultation contact point for harassment, childcare/nursing care, mental health, and other issues. In FY2023, we developed new grievance remedy mechanisms, including a human rights consultation contact point available to all stakeholders, both internal and external.

◆ Major opportunities for dialogue with stakeholders



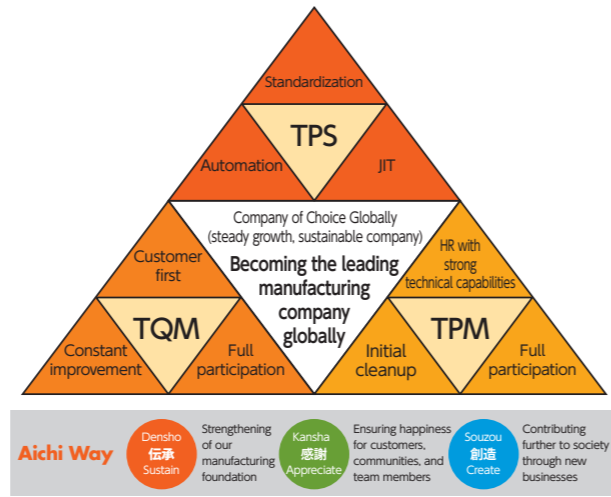
◆ Respect for human rights roadmap

Elements of human rights due	FY2023	FY2024	FY2025 and onward
1. Develop, operate, and improve structures for implementation	Reporting to companywide meetings and Board of Directors		
	Operation and improvement of internal promotion structures		
2. Raise awareness and understanding of human rights, and conduct education and training	Policy dissemination and briefing	Reflection in position-specific education	Revision of content as required
	Revision of Aichi Steel Group's Action Guidelines		Activities to raise awareness and understanding of the guidebook
	Policy dissemination and briefing to Group companies		Human rights training at Group companies (policy, guidebook, etc.)
3. Identify and evaluate human rights risks, and implement prevention, mitigation, and correction measures	Formulation of supplier guidelines	Activities to raise awareness and understanding of the guidelines	Collaborative activities through dialogue with suppliers, etc.
	Identification of human rights risks in supply chains	Investigation and evaluation within the Group	Implementation, monitoring, and additional investigation of prevention, mitigation, and correction measures according to results of the evaluation
		Investigation and evaluation of suppliers	Continuation and improvement
4. Develop grievance remedy mechanisms	Information disclosure and enhancement through website and Integrated Report		
	Dialogue with stakeholders		
4. Develop grievance remedy mechanisms	Confirmation and consideration of the status of the implementation of grievance remedy mechanisms	Evaluation and improvement to improve usability and trustworthiness	
	Improvement of human rights understanding among consultation contact point staff	Consideration of expanding contact points for suppliers, or establishing an external whistle-blowing system	Consideration of raising awareness and improving usability for non-Japanese users

Quality and Production

Basic approach

Aichi Steel has always focused on the manufacturing capabilities of integrated forging with steel making processes, which cover everything from material design to production of steel, forged products, and electronic components. We have continued to provide our customers with highly functional and high-quality materials and parts with high strength, durability, and machinability, which are indispensable in the automotive and other industries. This stable supply of high-quality, low-cost products has been supported by the implementation of quality management and the evolution of manufacturing capabilities through the Toyota Production System (TPS), Total Quality Management (TQM), and Total Productive Maintenance (TPM). Using this as a foundation, we are working to build production systems that are resilient to changes as we face increasing uncertainty, including geopolitical risks and sharp price fluctuations.



TPS activities

Aichi Steel is striving to improve its lean manufacturing capabilities by promoting cost reduction through thorough elimination of waste based on the two pillars of TPS: just in time and automation. The in-house companies systematically address improvement themes for cost reduction identified from the perspective of TPS, and their results are shared companywide through a TPS convention held at the end of the fiscal year.

We have established a TPS trainee system to implement TPS, where we focus on human resource development. We train personnel selected as TPS



1st TPS Convention

promotion leaders through classroom lectures as well as practical learning, including case studies, in order to effectively apply TPS methods in the workplace. Also, to facilitate the smooth introduction of TPS to our production sites, we are promoting the acquisition of TPS methods appropriate to the role of each employee by providing a wider range of level-based training. With these two activities, cost reduction and human resource development, we are building flexible production systems that are resilient to change.

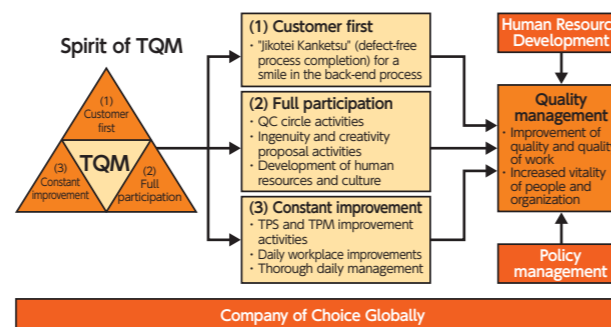
◆ Improvement themes

Topics	Composition
Labor-saving	Improvement of single-person productivity per day, consolidation of equipment
Shortening of lead time	Reduction of production quantity, streamlining of production
Enhancement of production potential	Reduction of downtime, improvement of specific consumption
Reduction of man-hours	Reduction of downtime, shortening of MCT*

*Time required to machine and assemble a single part (Machine Cycle Time)

TQM activities

Implementation of quality management based on TQM
Based on the fundamental TQM principles of "customer first," "full participation," and "constant improvement," the Aichi Steel Group is engaged in TQM activities to implement quality management. This is done by "improving the quality of products and work" and "increasing the vitality of people and the organization."



QC circle activities with full participation

Aichi Steel is working to establish and expand our QC circle activities as a means of improving operations in workplaces. We are working to develop human resources and revitalize our organization through consistent team efforts to identify problems, clarify issues, and formulate and implement countermeasures. In FY2023, 167 circles conducted activities, and 14 cases received external awards. For ingenuity and creativity proposal activities by individuals*, we set a target of at least one proposal per month, and all eligible employees achieved the target throughout the



The 53rd QC Circle General Manager's Award Tokai Branch Competition contestants



Winners of the 2023 Creativity and Ingenuity Award

year. As a result of these efforts, in FY2023 we received three awards from the Minister of Education, Culture, Sports, Science and Technology.

*Activities to encourage and evaluate employees' suggestions on how to improve the efficiency and quality of daily operations. Rewards are given based on the size of the effect, the number of proposals per year, and other factors in order to increase employees' motivation.

To consistently meet quality requirements

The automotive industry is undergoing a once-in-a-century transformation, and its quality requirements are also changing. We are always trying to maintain and strengthen our competitiveness by delivering the level of quality that is required. One of our efforts in this regard is to nurture expert personnel who have the ability to utilize technologies such as IoT, big data, and AI. Utilizing the Toyota Group Machine Learning Practice Dojo venue, we enhance the learning effect by using specific improvement themes as the subject matter, such as "automation of rear shaft visual inspection," and verifying the process from improvement to measurement of results in a practical setting.

TPM activities

We are committed to TPM activities to ensure efficient production of high-quality products. Based on the three key concepts of "full participation," "initial cleanup," and "HR with strong technical capabilities," we aim to transform people's behavior and on-site facilities to achieve zero breakdowns and zero defects by analyzing, addressing, and improving production facilities before breakdowns occur.

With operator self-maintenance as the most important activity, we have set quantitative targets for activities such as three zeros in equipment failure, quality defects, and

occupational accidents, and productivity improvement through the reduction of production losses.

In FY2023, we have achieved steady results, with 268 employees having acquired level 1 (top grade) self-maintenance personnel certification (acquisition rate: 20.5%) and a 31.5% reduction in total facility failures (compared to FY2021.) To further promote and strengthen our TPM activities, we will work on improving quality and maintaining an efficient production system, such as by using DX for data analysis and visualization.

Fostering an awareness and culture of quality

The out-of-tolerance steel length problem identified in FY2023 prompted all management and employees to go back to our founding principles and launch activities to ensure that quality problems are never repeated.



Dialogue meeting

Activity Category	Implementation Item	Details
Human resource development (awareness reform)	Dialogue meetings	Management and employees share and discuss thoughts and values
	Quality restart day	Activity to prevent people from forgetting the lessons learned
	Special exhibitions	Informing all employees of the circumstances of the outbreak and lessons learned from the problem
Fostering a workplace culture	Workplace group discussions	Discussions in each workplace on what should be done to prevent recurrence
	Revision of Aichi Steel Group's Action Guidelines	Opportunity for everyone to reaffirm and relearn the essence of compliance and our responsibilities as a company
	Inner branding	Reaffirming our corporate philosophy and values for the entire company to work together to perform well and improve quality
Strengthening mechanisms and organization	Establishment of Risk Management Headquarters	Strengthening and enforcing compliance and governance companywide
	Whistle-blowing system	Improving availability and convenience, expanding external consultation services, conducting public awareness activities

Health and Safety/Stakeholder Relations

Health

Basic approach

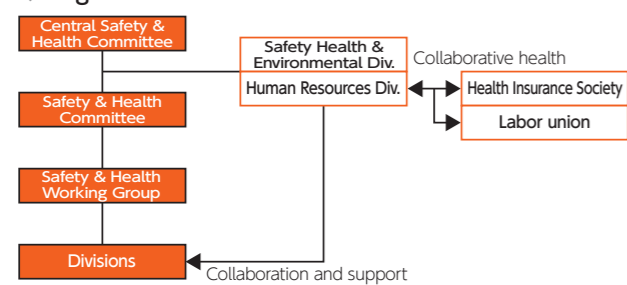
Since its foundation, Aichi Steel has practiced people-oriented management. People-oriented management means realizing "valuable living" and "happiness for employees and their families," with employees leading healthy and active lives both mentally and physically, thereby providing value to society. We position "employee health and safety" as a priority issue, striving to maintain and promote mental and physical health, and promoting the creation of a people-friendly workplace.

Implementation of health and productivity management

Aichi Steel believes that efforts to maintain and improve employee health bring a range of benefits, including vitality and productivity improvements for the organization. Based on this belief, we are committed to implementing health and productivity management for sustainable growth. In our Medium-term Management Plan, we have established quantitative targets for health, and are working on continuous improvement through a PDCA cycle. With mental health and the prevention of lifestyle-related diseases as our priority issues, we are working to enhance various measures by promoting collaborative health*, a cooperative effort among the company, health insurance society, and labor union. In recognition of these initiatives, we were recognized for the seventh consecutive year in 2024 as a Certified Health & Productivity Management Outstanding Organization.

*Efficient and effective implementation of disease prevention and health promotion for insured individuals through active collaboration between the insurer and the business with clearly assigned roles and favorable workplace environments

Organization chart



Prevention of lifestyle-related diseases

With the aim of improving lifestyle habits for better health, Aichi Steel is promoting its "Health Challenge 8" initiative to raise employees' health awareness and encourage behavioral changes. We are addressing health promotion by devising ways for employees and workplaces to proactively enjoy practicing healthy habits, such as by holding inter-workplace events aimed at creating habits related to eight items: bodyweight, breakfast, alcohol consumption, snacking between meals, smoking, exercise, sleep, and stress.

We have also made a companywide effort to prohibit smoking, and in 2024, on World No Tobacco Day (May 31), we launched a ban on smoking on all company premises.

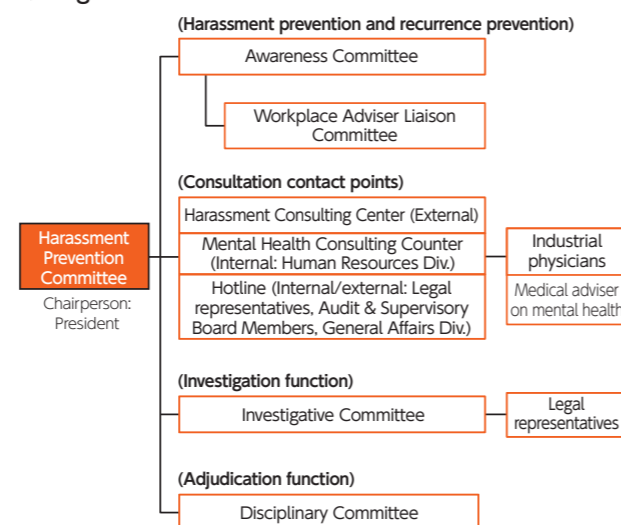
Mental health

Aichi Steel is working to prevent the occurrence of mental health issues and ensure their early detection and care by establishing a Mental Health Consulting Counter, providing education to both regular employees and supervisors, and providing consultations with a medical adviser on mental health for employees with mental health issues. In addition, we conduct stress checks once a year for all employees, and promote mental health by providing care for high-stress individuals and high-risk workplaces.

Harassment

This is not only an assault on personal dignity and a disturbance in the workplace, but also a problem that severely impacts business management. This is why labor and management are working together to create harassment-free workplaces. We have established the Aichi Steel Harassment Prevention Guidelines, which stipulate measures for preventing harassment and other matters for the company and employees to observe, and provide education to all executive officers and employees. We have also established dedicated consultation contact points internally and externally to address harassment issues, and we are allocating consultants in each workplace to systematically suppress harassment while achieving early detection and resolution. In FY2023, we received 15 consultation requests and reports. These are promptly examined and fact-checked by the Investigative Committee, which is comprised of members from both labor and management, and efforts are made to prevent recurrence, including strict action and education for supervisors. In addition, workplace counselors themselves raise awareness of harassment by regularly publishing "Counselor News" on the subject and distributing it to all employees, and by providing education on harassment to all employees.

Organization chart



Safety

Basic approach

The Aichi Steel Group recognizes that safety takes priority over all. In accordance with our Basic Philosophy for Safety and Health, we aim to create a safe and secure work environment for everyone working on our premises, and to transform into a company with a safety culture.

Basic Philosophy for Safety and Health

Safe work, Reliable work, Skilled work. Safe work is "the gate" to all work. Let us pass through this gate.

Promotion structure

Recognizing that safety and quality are the foundation for creating added value, we promote companywide activities with the Risk Management Headquarters as the overall driving force. The Safety, Health & Environment Division plays a central role in safety, and based on the belief that all accidents and injuries can be eliminated, it strives to create a safe and healthy work environment for all employees on our premises by sharing companywide policies with our in-house companies, headquarters, Group companies, and cooperating companies.

Activity policy

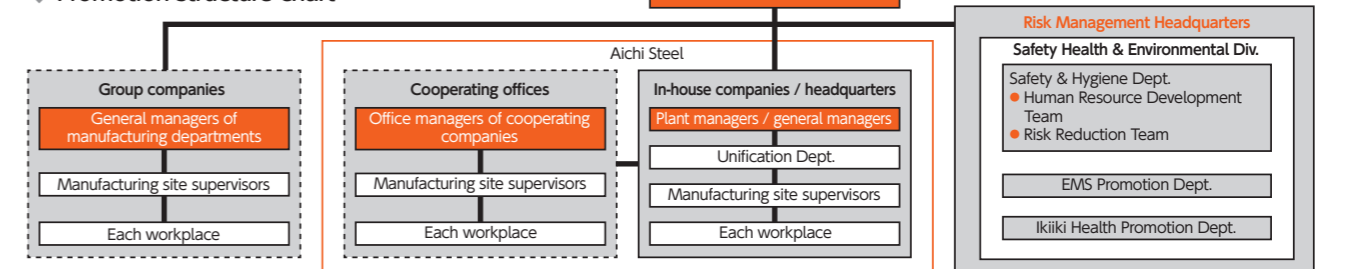
To prevent accidents, the Aichi Steel Group is developing safety activities based on the three pillars of safety management, fundamentally safe designs, and the development of safety-conscious human resources.

Transform into a company recognized by society as having a safety culture



* Occupational Safety and Health Management System

Promotion structure chart



Fiscal 2023 initiatives

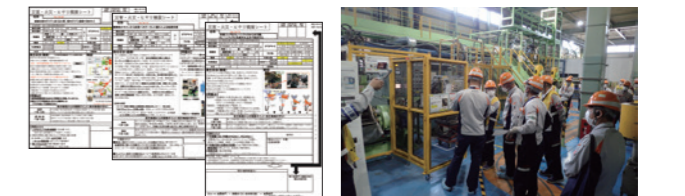
Safety management

- Recurrence prevention activities

Whenever there is an internal or external disaster that could potentially occur in other workplaces, we issue a Disaster, Fire, and Near-miss Cross-Division Deployment Sheet to try to prevent a recurrence.

- Prevention activities

For safer implementation of high-risk operations identified in risk assessments, we promote prevention activities by making improvements and conducting safety reviews.



Disaster, Fire, and Near-miss Cross-Division Deployment Sheet

Safety review

Fundamentally safe designs

- Management Safety Inspection Meeting

This initiative promotes the horizontal implementation of safety-related initiatives through guidance on and sharing of measures to eliminate hazardous sources specific to the workplace based on onsite inspections by top management.

- Learning and sharing past accidents

This initiative aims to prevent the recurrence of accidents by making sure that measures to prevent past accidents are being maintained and continued.



Management Safety Inspection Meeting

Onsite Disaster Inspections

Developing safety-conscious human resources

- Training people in charge of safety
We are working to raise the level of our company's safety and health management, developing highly safety-conscious personnel by giving the foremen responsible for on-site safety two months of classroom learning about health and safety and practical on-site training in safety diagnosis skills.
- Skill competition
This competition is designed to raise the level of our daily safety awareness and skill training by confirming and improving this level through competition.



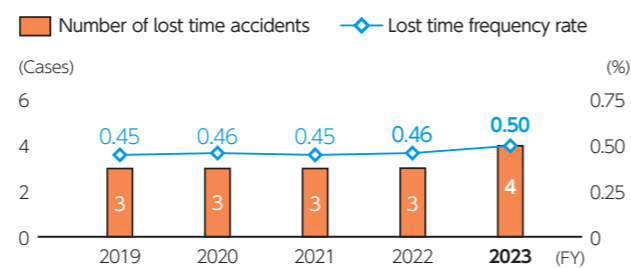
Safety diagnosis training to educate key safety personnel

Slinging competition at Skill Competition

Prevention of occupational accidents

We conduct risk assessments aimed at eliminating occupational accidents. Especially for high-risk work that could lead to significant or serious accidents, we strive to prevent accidents by systematically implementing improvements through fundamentally safety measures that eliminate the causes and reduce the risks. For all occupational accidents, we work to prevent recurrence by clarifying the true cause, including the context, and informing the group and cooperating companies of the accident.

◆ **Number of lost time accidents and lost time frequency rate**



Stakeholder relations

Basic approach

Aichi Steel conducts its business activities through relationships with various stakeholders, so building positive relationships with those stakeholders is important for improving our corporate value. Through proactive dialogue with stakeholders, we are able to incorporate the needs of society and expectations for us into our business activities, and encourage them to feel a sense of closeness with Aichi Steel. In this way, we are able to grow alongside all of our stakeholders, including customers, shareholders and investors, employees, suppliers, and local communities.

Promotion of dialogue with employees

To provide value to society and achieve sustainable growth, it is essential for Aichi Steel to ensure a high level of employee engagement, which is the source of value creation. We are promoting initiatives to increase employee engagement by building dialogues with our employees, creating comfortable workplaces, and improving our personnel system. In 2020, the 80th anniversary of our founding, we signed the Declaration on Labor-management Cooperation, in which labor and management mutually confirm and share the goal of overcoming any difficulties through mutual trust between labor and management and aiming for a company full of

◆ **Initiatives and achievements for each stakeholder**

Stakeholders	Initiatives to promote dialogue	FY2023 results
Customers	● Customer consultation service: Improvement by responding to customer comments and providing feedback internally	Number of inquiries 1,225
Shareholders and investors	● General Meeting of Shareholders: Business reports, discussions and resolutions on financial matters, Q&A with shareholders ● Dialogue with investors: Through briefings on financial statements and future strategy, individual talks, etc.	Number of dialogues with institutional investors (total) 45
Employees	● Regular meetings of the Labor-Management Committee: Mutual understanding, discussion and negotiation, and exchange of views between labor and management ● Various awareness surveys: Surveys on organizational and workplace culture, working lives, etc.	Number of labor-management roundtables and conferences 19
Suppliers	● Suppliers convention: Sharing of procurement policy, mutual learning opportunities, strengthening of partnerships	Number of participating companies 125
Local communities	● Collaboration and volunteer activities with NPOs, etc.: Communication through active participation in social contribution and community volunteer activities ● Collaboration with industry groups: Proposals on common industry issues and facilitation of information sharing through the Japan Iron and Steel Federation, etc.	Employee participation rate in social contribution activities 78%

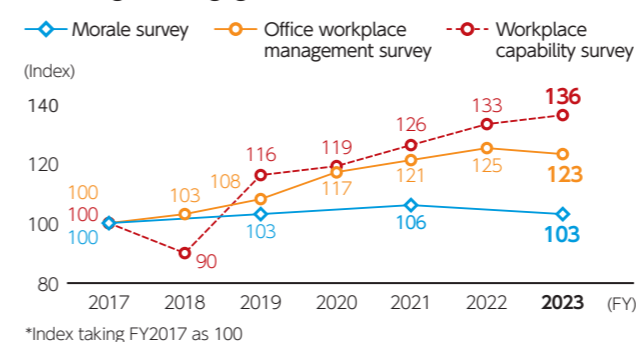
smiles with everyone involved. In addition, labor-management meetings were reviewed and new labor-management roundtables at the in-house company and headquarters levels were held twice, to allow the two parties to more frankly exchange opinions and accelerate reform.

We are making efforts to have labor and management honestly exchange opinions, deepen understanding, and cooperate with each other on familiar issues and countermeasures at the in-house company and headquarters levels. In FY2023, we increased subsidies for workplace trips and get-togethers in order to revitalize workplace communication, which had been somewhat lacking since the COVID-19 pandemic. To create open workplaces where diversity is respected and everyone can work comfortably, we have also focused on improving workplace environments by conducting a morale survey of all employees, improving rest areas at workplaces, constructing a multi-story parking garage, and rebuilding our dormitory for single employees.

Initiatives to improve engagement

Aichi Steel conducts an annual engagement survey of all employees. Based on the results of the analysis from various perspectives, such as motivation toward work, sense of growth through work, support from superiors, and workplace culture, we are working to develop various personnel measures and improve management in each workplace. In addition, managers are working to improve their management skills such as by attending expert lectures and annual leadership courses. In FY2023, we revamped the survey with the goal of deepening our analysis and clarifying issues for each workplace. Going forward, we will continue by incorporating our responses to emerging issues into a newly launched leadership training program, and by confirming improvements to our workplace culture and the results of our efforts.

◆ **Changes in engagement evaluation**



*Index taking FY2017 as 100

Morale survey	Survey of employee attitudes toward company management and policies, work motivation, etc. (once every two years)
Office workplace management survey	Survey of attitudes of general workers to workplace management, relationships with supervisors and co-workers, etc. (once a year)
Workplace capability survey	Survey of attitudes of skilled workers to workplace management, relationships with supervisors and co-workers, etc. (once a year)

Strengthening partnerships with suppliers

Superior raw materials, parts, and technologies supplied by our suppliers are essential for manufacturing Aichi Steel's products. Based on our belief that collaboration with suppliers is important in addressing various sustainability issues, we are working to build a relationship of trust with them through close communication, and to establish and strengthen a sustainable supply chain that allows us to grow together and share our achievements.

Every year in April, Aichi Steel holds the Hokokai* General Meeting to explain the business environment and company policies and share information on initiatives and goals regarding safety, compliance, and sustainability. In FY2023, we established our Supplier Sustainability Guidelines, which specify in more detail the actions expected of our suppliers, and we require them to conduct activities based on these guidelines. The guidelines were distributed at the Hokokai General Meeting to all 125 companies to inform them and encourage their cooperation. We also provide support activities to each company by offering advice on safety, quality, and other issues according to their circumstances, and engage in improvement activities throughout the supply chain, such as mutual improvement through improvement case study meetings and the VA Exhibition as well as the horizontal development of good practices.

*An organization consisting of suppliers aiming for mutual development based on partnership and mutual trust with Aichi Steel

Strengthening relationships with local communities

As a good corporate citizen, we recognize the importance of communicating with local communities through social contribution activities and so on, and are engaged with them in co-creation activities. Specifically, we are developing activities based on the four pillars: clean, green, creative, and volunteer support. Such activities not only strengthen our relationships with local communities, but also help develop a social issue solving mindset among employees and provide feedback on our business activities. We will continue working actively toward the realization of a sustainable local community, to which every one of our employees can make a contribution.

4 pillars	Main Activities
Clean	● Cleanup activities by executives and employees in areas around the head office and plant
Green	● Beautification of the area in front of Shurakuen Station (Maintenance of flower beds, etc.)
Creative	● Cooperation with Tokai City's Monozukuri Dojo ● Plant tours for local residents
Volunteer support	● Management of a volunteer fund backed by donations from employees and others involved, and a call for fundraising activities ● Support for volunteer activities conducted by welfare organizations

Corporate Governance

Corporate Governance Philosophy and Structure

Basic approach

The Aichi Steel Group believes in the importance of realizing a sustainable society through business activities in order to achieve sustainable growth and improve medium- to long-term corporate value. Based on this belief, we work to enhance corporate governance so that we can manage our businesses with a high level of fairness, transparency, and efficiency in accordance with Our Vision, and build strong relationships with our shareholders, investors, customers, and all other stakeholders.

Initiatives for enhancing corporate governance

To sustainably increase our corporate value within a drastically changing business climate, we are striving to enhance our corporate governance based on the recognition that we need to anticipate change and address management issues with a sense of speed. We implement all of the principles of the Corporate Governance Code, which was revised in June 2021, and disclose details such as our sustainability initiatives and our constructive dialogues with shareholders and investors in our Corporate Governance Report. We also conduct management in a way that improves return on capital, including strengthening our intellectual and human capital and reviewing our portfolio.

Corporate governance structure

Aichi Steel uses an Audit & Supervisory Board member system, with a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and accounting auditors, to ensure the transparency and health of management. We also use a managing executive officer and executive officer system to reduce the number of directors, and improve the efficiency and speed of business execution. We enhance the function of the Board of Directors and improve its quality of management decision-making by ensuring at least one third of directors are independent outside directors. The Director Remuneration and Personnel Planning Committee is in charge of the nomination and remuneration of directors and managing executive officers. It enhances independence, objectivity, and transparency by considering and discussing these matters before consulting the Board of Directors. To conduct our operations, we have established in-house companies (four virtual companies built around our main businesses) and a Corporate Office (consisting of five headquarters that act as functional axes to support our business operations.) To strengthen compliance, particularly with regard to safety and quality, we established the Risk Management Headquarters in April 2024. The president of each in-house company and the headquarters general managers of the Corporate Office are responsible for executing operations as the chief officers. They are appointed by managing executive officers or executive officers, respectively, to support Aichi Steel's president from a companywide perspective.

◆ Changes in corporate governance structure

	2015 and earlier	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of officers		25	26	26	25	27	16	14	16	13
Number of directors and percentage of independent outside directors		10 20%		6 33%					6 33%	
Number and percentage of female directors		1 10%		1 16%					1 16%	
Number of Audit & Supervisory Board members and percentage of outside Audit & Supervisory Board members		5 60%		4 50%					4 50%	
Separation of management and execution functions		June 2013 Clarified roles of management (decision-making and supervision) and business execution, and adopted an executive officer system to increase the speed of management			April 2020 Consolidated managing executive officer and senior managing executive officer positions into a single managing executive officer role			April 2021 Integrated officer and executive officer positions, and established a new executive officer position, to increase the speed of management		
Improvement of effectiveness		June 2018 Established Director Remuneration and Personnel Planning Committee as a voluntary committee equivalent to a nomination and remuneration committee			June 2015 Appointed outside directors			March 2017 Started evaluating effectiveness of Board of Directors		
		April 2018 Introduced systemic reporting and discussion of medium- to long-term priority issues as a special the Board of Directors			June 2020 Revised director remuneration system (introduced Restricted Stock Remuneration Plan)			April 2024 Established Risk Management Headquarters to strengthen compliance		

Board of Directors Convened 14 times

The Board of Directors makes decisions concerning legal matters, and important matters for the management of Aichi Steel, and supervises business execution. Having one or more meetings a month, it comprises ten members in total; six directors (including two outside directors), two inside audit & supervisory board members, and two outside audit & supervisory board members. The two outside directors selected as independent officers meet the independence criteria set by securities exchanges. We have created support structures that enable our outside directors to adequately fulfill their management advisory and supervisory functions.

◆ Main agenda items in FY2023 for the Board of Directors

Topics	Main agenda items
Management and business strategy	<ul style="list-style-type: none"> ● Formulation and progress checks of management plans and in-house company business strategies ● Business execution reports (safety, quality, performance, production, development, risks, etc.) ● Sustainability measures (climate change, human rights, cybersecurity, etc.) ● Capital and shareholder policies (review of measures to improve capital cost and PBR, verification of policy shareholdings, etc.)
Governance	<ul style="list-style-type: none"> ● Internal control systems ● Director and officer nominations ● Officer remuneration matters ● Board of Directors effectiveness evaluation ● Shareholder matters ● Accounting matters ● Auditing matters ● Review of measures to improve organization culture
Other businesses	<ul style="list-style-type: none"> ● Quality issue support (out-of-tolerance steel length)

Director Remuneration and Personnel Planning Committee Convened 3 times

We have established a discretionary Director Remuneration and Personnel Planning Committee as an advisory body to the Board of Directors on matters related to nomination and remuneration of directors, managing executive officers, and other officers. Comprising two independent outside directors and one inside director, the committee is chaired by an independent outside director to ensure objectivity and transparency.

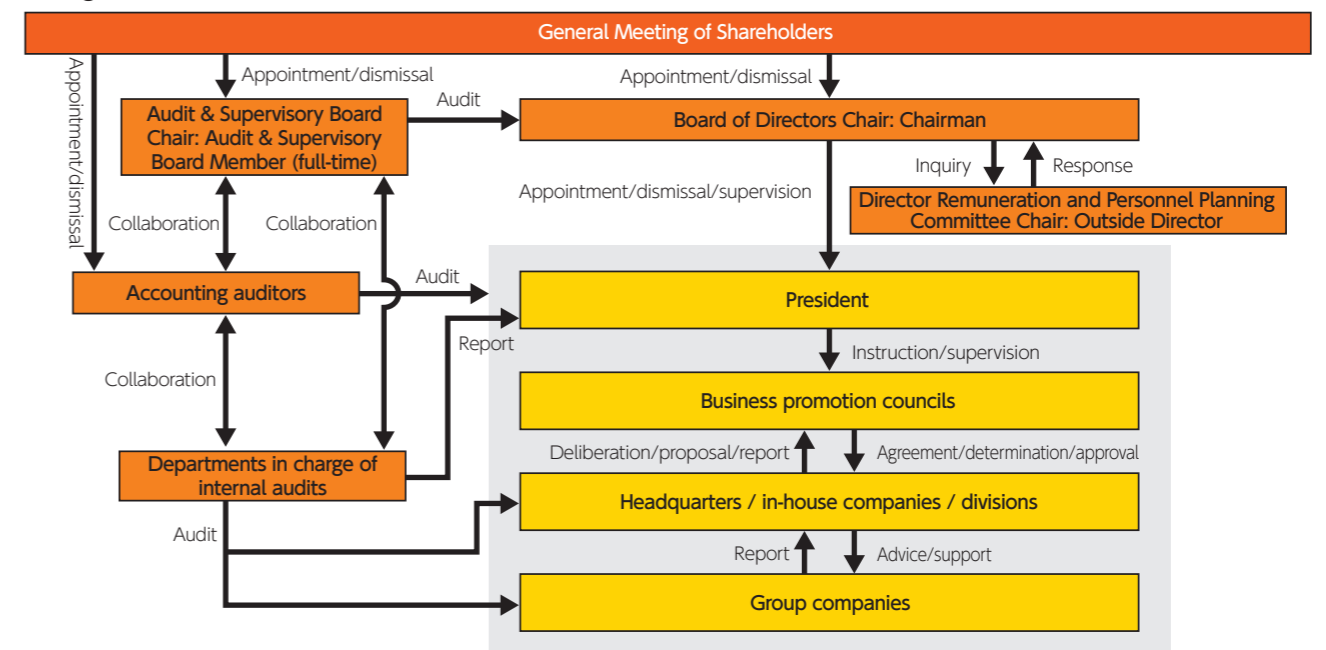
◆ Main agenda items for the Director Remuneration and Personnel Planning Committee

Topics	Agenda items
Officer remuneration	<ul style="list-style-type: none"> ● Basic policies related to the remuneration system and remuneration decisions ● Remuneration structure and payment levels for each position ● Individual remuneration amounts
Officer nomination	<ul style="list-style-type: none"> ● Basic policies related to the officer system and structure ● Proposed appointments and dismissals of directors and Audit & Supervisory Board members ● Succession planning for officers and executives

Audit & Supervisory Board Convened 13 times

The Audit & Supervisory Board is made up of four Audit & Supervisory Board members, including two outside members. It audits the execution of duties of directors and other officers, as well as business and financial performance. In addition to attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members coordinate with accounting auditors and departments in charge of internal audits to provide oversight of management.

◆ Organization chart



Approach to balance and diversity of board members and audit & supervisory board members

To enable accurate and prompt decision-making and appropriate risk management that delivers sustainable growth and improved medium- to long-term corporate value, our Board of Directors is composed of members with expertise in all business and function areas, and diverse knowledge, experience, and skills.

Procedure for appointment of Directors and Audit & Supervisory Board members

- (i) The Director Remuneration and Personnel Planning Committee regularly and as required evaluates and carefully considers experience, knowledge, performance, and other factors, and then reports its nomination candidates to the Board of Directors.
- (ii) The Board of Directors makes tentative decisions on nomination candidates based on the reports of the above Committee, and then makes final decisions after discussions at the General Meeting of Shareholders, and after prior approval of the Audit & Supervisory Board in the case of nominations for Audit & Supervisory Board members.

Determining perspective and independence in appointment of outside officers

In appointing outside officers, we focus on whether they have sufficient qualities to contribute to the company's sustainable growth and the enhancement of our corporate value over the medium to long term. We take particular care to appoint those with management experience at other companies who can be expected to supervise the management of Aichi Steel.

The criteria for determining the independence of candidates for outside directors are based on a general consideration of factors such as career history, knowledge, and personality, with reference to the Enforcement Rules for Securities Listing Regulations provided by the Stock Exchange, etc.

◆ **Skill matrix for directors and managing executive officers (as of June 13, 2024)**

Name	Position	Director Remuneration and Personnel Planning Committee	Corporate Management	Risk Management	Contribution to a sustainable global environment (E)		Creation of a prosperous society through business reform (S)		Employee happiness and company development (G)		Production & Quality	Sales & Procurement	Financial Affairs	Overseas
					Environment	Energy	Technology & Development	IT & Digital	Legal Affairs and Compliance	Human Resource Development and Diversity				
Takahiro Fujoka	Chairman		●	●				●	●	●			●	●
Naohide Goto	President	○	●	●				●	●	●	●	●	●	●
Motoshi Nakamura	Executive Vice President		●	●	●	●	●		●	●				
Koichi Yasui	Outside Director	◎	●	●	●	●		●	●		●	●		
Yuko Arai	Outside Director	○	●						●		●			●
Naoki Ishii	Director & Managing Executive Officer		●	●	●			●	●				●	
Toshio Ito	Managing Executive Officer		●		●					●				●
Kazuya Fukatsu	Managing Executive Officer		●							●	●			
Kazuma Kihara	Managing Executive Officer		●		●	●	●			●				

◎: Chair ○: Constituent member

Support structure for outside officers

To eliminate differences in access to information compared to internal officers, and to maximize their performance, we give outside officers briefings on agenda items before meetings, provide onsite inspections, and hold meetings on special topic reports to enable free and open discussion outside of meetings of the Board of Directors. In addition to members of the Board of Directors, presidents and general managers related to the special topics also attend the meetings, where they can all participate in more profound discussions that include medium- to long-term strategies.

Special Theme Report for FY2023

- Status of each business's efforts toward Vision 2030
- Preparation of new Medium-term Management Plan
- Study of new market exploration and new business field development
- Study of measures to enhance productivity and profitability of existing businesses
- Capital and shareholder policies

Skill matrix for directors and managing executive officers

Our skill matrix defines the experience and expertise that we consider necessary to achieve Vision 2030. This table shows the items that our company expects each person to demonstrate in particular.

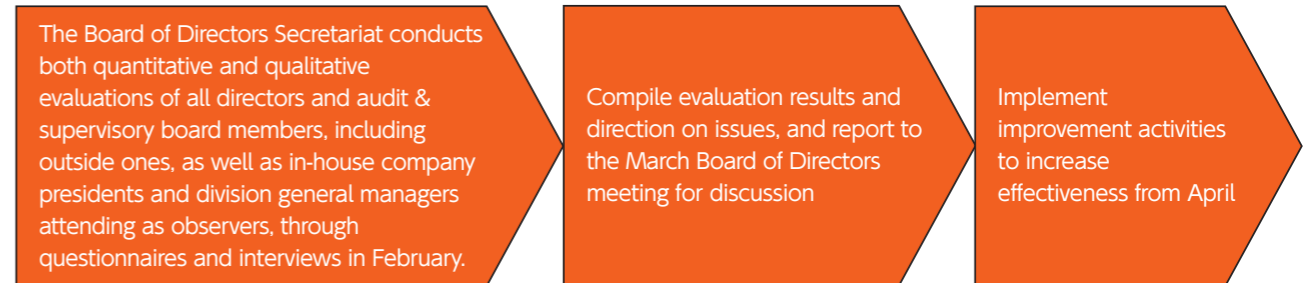
Board of Directors effectiveness evaluation

We evaluate the effectiveness of the Board of Directors every year to maintain and improve the effectiveness of our corporate governance. We interview and survey all members of the Board of Directors, analyze and evaluate their performance, and report

effectiveness-related results, issues, and responses to the Board of Directors.

Our efforts and the results of our effectiveness evaluation are summarized below.

(1) Evaluation method



(2) Evaluation items

- (i) Composition of the Board of Directors
- (ii) Effectiveness of supervisory functions
- (iii) Revitalization of management and deliberations
- (iv) Support system for directors

(3) Summary of FY2023 evaluation results

- Special theme reports were provided to outside directors to enhance their understanding of our corporate activities and facilitate discussion. We worked on continuous improvement through annual planning in advance, increase in time and frequency, provision of opportunities for outside officers to provide information based on their own knowledge and experience, and on-site plant inspections. Board of Directors meeting times were also extended to achieve the above. Based on these efforts and questionnaire results, we evaluate that our Board of Directors is fulfilling its functions of important management decision-making and supervision of business execution.
- With regard to sustainability initiatives, there was a need to further deepen discussions and promote discourse on a wider range of topics.
- As for industrial knowledge acquisition and training opportunities, there were requests for on-site inspections of locations where defects had occurred.

(4) Main improvement measures

- We work to improve the following issues to further ensure the effectiveness of the Board of Directors.
- (i) Full discussion on sustainability initiatives
We organize required agenda items throughout the year and systematically hold discussions on overall strategy topics as well as more targeted discussions on individual themes.
 - (ii) Support for outside officers
In order to deepen their understanding of Aichi Steel and contribute to discussions at Board of Directors meetings, we hold extensive site visits that can lead to future strategies, investment projects, etc., and provide relevant information and opportunities to exchange opinions with internal officers.

Officer remuneration

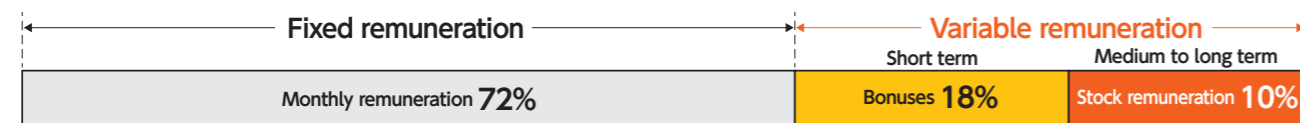
Basic approach

1. Remuneration for each director shall be in accordance with the roles and responsibilities required of him or her
2. Remuneration shall be consistent with Aichi Steel business strategies and shall encourage directors to work toward sustainable improvement of corporate value
3. Remuneration shall motivate officers to have an even greater sense of responsibility as a member of management and to promote management from the same perspective as shareholders
4. Remuneration shall be set at a level that takes into account the business environment, market trends, and payment levels of other companies
5. The remuneration system decision process shall be objective and highly transparent.

Decision process

Aichi Steel established the Director Remuneration and Personnel Planning Committee, with the chair being an independent outside director and the majority of members also being independent outside directors, to ensure objectivity, fairness, and transparency in decisions such as remuneration for directors. The committee discusses director remuneration structures, levels, decision-making policies and procedures, and individual levels of remuneration based on the decision-making policies. Based on the results of those discussions, the Board of Directors determines policies for director remuneration, individual levels of remuneration, and other matters. From the perspective of maintaining independence, remuneration for outside directors is at fixed rate.

◆ Remuneration structure



Monthly remuneration	• Determined in line with the roles and responsibilities of each officer
Bonuses	• Calculated by multiplying the standard bonus amount by an index, based on annual business performance and after a comprehensive review of factors such as shareholder returns, employee bonus levels, trends at other companies, and past payment amounts
Stock remuneration	• Number of shares granted is about 10% of total remuneration, given as common stock of the company and based on job position • Transfer restriction period is until immediately after retirement from the position as specified in advance by the Board of Directors

◆ Remuneration and other payments to directors and Audit & Supervisory Board members

Officer classification	Total remuneration (million yen)	Total remuneration by type (million yen)			Number of applicable officers (persons)
		Fixed	Fluctuation (short-term)	Fluctuation (mid- to long-term)	
		Monthly remuneration	Bonuses	Stock remuneration	
Directors (excluding outside directors)	264	196	40	27	5
Audit & supervisory board members (excluding outside members)	73	73	—	—	2
Outside officers	36	36	—	—	5

Note 1. Performance-based remuneration includes bonus amounts determined by resolution at the meeting of the Board of Directors on May 16, 2024.
 Note 2. Stock remuneration includes amounts related to restricted stock granted to directors (excluding outside directors) and expensed during the current fiscal year.
 Note 3. The above includes one director and one audit & supervisory board member who retired at the close of the 119th General Meeting of Shareholders held on June 21, 2023.

Cross Shareholdings

Basic approach

Maintaining and strengthening of trade and collaborative relationships with a range of companies are needed to ensure sustainable growth in a rapidly changing business environment. For this reason, Aichi Steel engages in cross holdings with other companies, but only if it deems them to be effective in improving corporate value from a medium- to long-term perspective in a comprehensive evaluation that considers its business strategy, future relationships with suppliers and affiliated companies, and other factors.

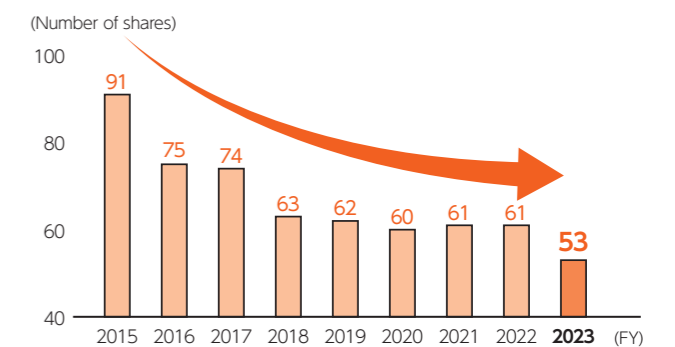
Verification of cross shareholding suitability

Each year, at a meeting of the Board of Directors, we make comprehensive verifications and assessments of the suitability of each cross shareholding based on quantitative factors, including whether dividends, business profits, and other figures exceed our weighted average cost of capital, as well as qualitative factors, including trading status and business-level collaborations. If a shareholding is determined to be unsuitable according to the verification, we decide on what course of action to take, including disposing of the shares.

Criteria for exercising voting rights

Rather than applying uniform decisions from typical and short-term criteria, we make decisions on each agenda item separately. We consider them from various perspectives, including corporate value improvement and shareholder returns over the medium to long term, while fully respecting the management policy, business strategies, and other decisions of the companies in which we invest. When exercising our voting rights, we make comprehensive decisions on whether to approve agenda items after closely investigating factors such as business performance, governance, and capital policy that would represent a conflict of interest with us, or would change or dilute our shareholdings.

◆ Changes in volume of cross shareholdings



Succession plan

We recognize that cultivating the next generation of management is an important issue. We believe that we have secured a system in which the Director Remuneration and Personnel Planning Committee, a discretionary body, discusses and evaluates the qualities, development direction, and achievements of candidate personnel from an objective perspective, while also providing appropriate advice. Also, the president personally conducts training for the next generation of managers by meeting with managing executive officers and executive officers on a regular basis to discuss their individual goals and accomplishments.

In an environment of increasing uncertainty, Aichi Steel continuously provides training to cultivate the ability to take managerial decisions based on diverse

knowledge and perspectives required of top management. In FY2023, we provided training for directors, managing executive officers, and executive officers under the title "Corporate Management: Sustainability and Human Capital." Keeping in mind recent cases involving corporate governance, the training was designed to reaffirm the importance of sustainability and human capital essentials, working with stakeholders, ensuring diversity, and human resource development. In addition, we have focused on nurturing management personnel by targeting executive officers who are candidates for the next generation of management executives, introducing a new support system in FY2024 for self-study to cultivate their organizational management and leadership skills.

Messages from Outside Directors

Improving safety and security to navigate a complex business environment



Outside Director
Koichi Yasui

What has impressed me most throughout this past year is the discussions on the out-of-tolerance steel length issue. From a risk management perspective, including this case, I advised that, in the event of a sudden emergency, there must be a wide range of discretion at work sites on a daily basis, because a flexible response is necessary. I also advised that to find the true cause and prevent a recurrence, there needs to be participation by not only external third parties, but also in-house experts.

Whenever an industrial accident or quality defect occurs in the future, I will continue to oversee whether the true cause is being investigated and whether measures are being taken to prevent recurrence. From the perspective of Heinrich's triangle, a theory for occupational accident prevention, I recognize that behind minor day-to-day issues lie problems that could lead to major risks, and so I intend to fulfill my duties by providing accurate advice and suggestions on problems and issues in the workplace.

Our new Medium-term Management Plan was launched in FY2024. Drawing on my many years of experience and knowledge in the energy infrastructure business, I intend to make recommendations on how to assess situations, what to focus on, and how to proceed, in order to evaluate the operating environment and the appropriateness of the company's current state.

Strengthening sustainability initiatives to enhance our sustainable corporate value



Outside Director
Yuko Arai

Our FY2023 activities focused on "selling, making, and buying" in order to strengthen our business foundation, with a particular emphasis on "selling." Despite an environment of sluggish market demand, our sales efforts enabled us to raise prices by passing on the higher cost of raw materials to our selling prices. I also believe that thorough companywide activities, such as cost reductions in "making" and "buying," resulted in operating profit of 10.3 billion yen in FY2023.

Regarding sustainability initiatives, I feel that we are making systematic progress in addressing carbon neutrality, which is an important issue for our company. Looking at improvements that should be made depending on the theme, for example, with regard to human capital, I think we need to promote the systematic development of female executive candidates even more than before.

One year into the presidency of Mr. Goto, I often hear the word "legitimate" being uttered by other board members. I feel that this view is gaining traction. While we in the steel industry have little contact with general consumers, we are committed to advising and supervising all of our employees so that they devote themselves to manufacturing safe and secure products with an awareness of the customers who use the final products, thereby ensuring the sustainable growth of our company and enhancing our corporate value.

List of Directors and Audit & Supervisory Board Members



Takahiro Fujioka

Chairman

Attendance at Board of Directors meetings
14 of 14 (100%)

April 1979 Joined Toyota Motor Industrial Corporation (current Toyota Motor Corporation)
June 2006 Managing Officer of Toyota Motor Corporation
May 2011 Standing Adviser of Aichi Steel
June 2011 President of Aichi Steel
June 2023 Chairman of Aichi Steel (to present)



Naohide Goto

President

Attendance at Board of Directors meetings
11 of 11 (100%)

April 1989 Joined Aichi Steel
April 2016 President and Director of Aichi Forge USA, INC.
April 2018 President and Director of Aichi Forge USA, INC.
April 2021 Executive Officer
Sales Planning Officer, Toyota Sales Officer of Aichi Steel
January 2023 Managing Executive Officer of Aichi Steel
June 2023 President of Aichi Steel (to present)



Motoshi Nakamura

Executive Vice President
General Manager, Risk Management Headquarters
-CRO

Attendance at Board of Directors meetings
14 of 14 (100%)

April 1983 Joined Toyota Motor Corporation
April 2014 Standing Director of Toyota Motor Corporation
January 2018 Standing Advisor of Aichi Steel
April 2018 Senior Managing Officer of Aichi Steel
June 2018 Director and Senior Managing Officer of Aichi Steel
April 2020 Executive Vice President of Aichi Steel (to present)



Koichi Yasui

Outside Director

Attendance at Board of Directors meetings
14 of 14 (100%)

April 1976 Joined Toho Gas Co., Ltd.
June 2006 Operating Officer of Toho Gas Co., Ltd.
June 2008 Director and Managing Officer of Toho Gas Co., Ltd.
June 2010 Director and Senior Managing Officer of Toho Gas Co., Ltd.
June 2012 President and Director of Toho Gas Co., Ltd.
June 2015 Director of Aichi Steel (to present)
June 2016 Chairman and Director of Toho Gas Co., Ltd.
June 2021 Advisor of Toho Gas Co., Ltd. (to present)



Yuko Arai

Outside Director

Attendance at Board of Directors meetings
13 of 14 (93%)

April 1979 Joined All Nippon Airways Co., Ltd.
April 2010 Assistant Branch Manager of Osaka Office of All Nippon Airways Co., Ltd.
April 2011 Assistant Branch Manager of Tokyo Office of All Nippon Airways Co., Ltd.
April 2014 Executive Officer, Branch Manager of Osaka Office, All Nippon Airways Co., Ltd.
April 2016 Executive Officer, Branch Manager of Osaka Office, All Nippon Airways Co., Ltd.
Executive Vice President and Director of ANA Sales Co., Ltd. (currently ANA Akindo Co., Ltd.)
June 2016 Director of Aichi Steel (to present)
April 2022 Senior Advisor of ANA Akindo Co., Ltd. (to present)



Naoki Ishii

Director and Managing Executive Officer
General Manager, Corporate Planning Headquarters

Attendance at Board of Directors meetings
-- of --(-%)

April 1986 Joined Toyota Motor Corporation
January 2018 Managing Officer of Toyota Motor Corporation
September 2020 Operating Officer of Aichi Steel
April 2021 Managing Executive Officer of Aichi Steel
June 2024 Director and Managing Executive Officer of Aichi Steel (to present)



Hirofumi Yokota

Audit & Supervisory Board Member

Attendance at Board of Directors meetings
13 of 14 (93%)

April 1984 Joined Aichi Steel
January 2011 Representative Manager of Quality Control Department (General Manager level) Electro-Magnetic Products Business Headquarters of Aichi Steel
January 2015 General Manager of Quality Assurance Division of Aichi Steel
June 2021 Audit & Supervisory Board Member of Aichi Steel (present)



Masamichi Ogawa

Audit & Supervisory Board Member

Attendance at Board of Directors meetings
-- of --(-%)

April 1985 Joined Aichi Steel
January 2014 General Manager, Finance & Accounting Division of Aichi Steel
April 2018 Officer of Aichi Steel
April 2021 Executive Officer
Finance & Accounting Officer of Aichi Steel
April 2024 Senior Chief of Corporate Planning Headquarters of Aichi Steel
June 2024 Audit & Supervisory Board Member of Aichi Steel (to present)



Katsuyuki Ogura

Outside Audit & Supervisory Board Member

Attendance at Board of Directors meetings
13 of 14 (93%)

April 1985 Joined Toyota Motor Corporation
January 2018 General Manager of Audit Department of Toyota Motor Corporation
June 2019 Standing Auditor of Toyota Motor Corporation (to present)
Audit & Supervisory Board Member of Aichi Steel (to present)



Sotaro Kumazawa

Outside Audit & Supervisory Board Member

Attendance at Board of Directors meetings
11 of 11 (100%)

April 1989 Joined Toyota Motor Corporation
January 2010 General Manager of Upper Body Design Division 1 of Toyota Motor Corporation
April 2012 General Manager of Vehicle Structure Planning Division of Toyota Motor Corporation
April 2016 General Manager of Development Promotion Division of Toyota Motor Corporation
January 2019 Toyota Industries Corporation
General Manager of Product Planning Department of Automotive Business Unit of Toyota Industries Corporation
June 2020 Executive Officer of Toyota Industries Corporation
June 2022 Managing Executive Officer of Toyota Industries Corporation (to present)
June 2023 Audit & Supervisory Board Member of Aichi Steel (to present)

Risk Management/Compliance

Risk Management

Basic approach

The business environment is significantly changing and diversifying due to climate change, tension in international affairs, and other issues impacting business activities, as well as social instability caused by growing inequality. These social and environmental challenges are having a major impact on companies' value creation and business models. Faced with this situation, we have made risk management one of our top management priorities, and are working to minimize risks by enhancing and strengthening our controls. We classify potential impacts on business management as either "risks" (matters yet to materialize) or "crises" (emergencies that have materialized). We then focus on preventive measures that eliminate risks before they become crises, and on prompt and accurate initial and recovery responses that minimize damage in the event of a crisis occurring.

Specific Initiatives

The Top Management Meeting, the highest decision-making body for business execution, meets twice a year, at the mid-point and at the end of the fiscal year, to review the progress of risk management and to discuss annual policies and the way forward. In 2024, a Chief Risk Officer (CRO) was installed as the person in charge of crisis management, and the Risk Management Headquarters was established, for the purpose of promoting preventive management in the normal course of events and strengthening the response to crisis events as they are foreseen or actually occur.

1. Reassessing major risks and studying

Having acquired IATF 16949* certification in fiscal 2022, we have begun to reevaluate our major risks and to improve our response when disasters and other events occur, with the aim of strengthening our resilience to such events. We have reviewed our business continuity plan (BCP) by specifically analyzing and projecting the impact on our business.

*An international standard for quality management systems specialized for the automotive industry and used by many of the world's automakers as their global procurement standard for automotive parts

2. Disaster prevention

(1) Awareness raising

We have updated our Guide to Emergency Disaster Management and distributed them to all employees to ensure that they fully understand the basics of disaster prevention actions in the event of an earthquake or

other disaster.

(2) Measures against heavy rains and storm surges
Our main plant is located near the waterfront, so we need to be prepared for flooding and other risks. We are systematically promoting measures to prevent storm surges caused by giant typhoons, such as elevating production facilities and installing watertight panels, as incorporated in our FY2024-2026 Medium-term Management Plan.

(3) Emergency drills

We conduct companywide emergency drills twice a year. In FY2023, we conducted initial firefighting and rescue drills at our Forging Plant jointly with the Tokai City Fire Department. To improve our crisis response and judgment capabilities in emergencies, we also conducted role-playing and map-based simulations as practical training for an earthquake in the Nankai Trough. Without disclosing the hypothetical scenario in advance, we tried to raise awareness of disasters while helping participants understand the importance of an appropriate and prompt response to a constantly changing situation.



Joint firefighting drill with Tokai City Fire Department (Forging Plant)



Map-based simulation of an earthquake in the Nankai Trough

Strengthening of risk response

In order to cope more swiftly with an increasingly uncertain and complex business environment, we are verifying the effectiveness of measures to address emerging risks. We are gathering information about possible future risks (potential risks) more extensively and on a more global level than in the past.

Our functional divisions used to take the lead in addressing risks, but from now on, we will strengthen cooperation with our business divisions so that we can recognize risks more accurately than ever before and develop mechanisms to respond to them appropriately. By continuing to strengthen our risk response capabilities and reduce loss when risks materialize, we are striving to sustainably improve corporate value.

Compliance

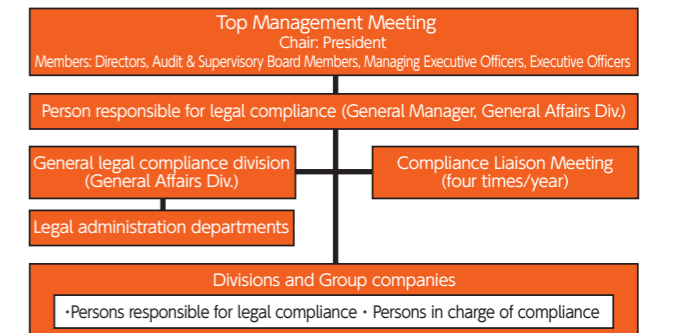
Basic approach

Based on the recognition that compliance is the foundation of our corporate activities, we established the Aichi Steel Group Action Guidelines which we are working to spread and put into practice among all our officers and employees. In addition to laws and regulations, we also comply with social norms and decency, and internal company rules. To this end, we are constantly striving to raise awareness of compliance, meet society's expectations, and fulfill our social responsibilities as a company.

Promotion structure

To maintain and strengthen compliance levels across the Group as a whole, we conduct progress reviews at the Top Management Meeting chaired by the president. This system enables us to share, with all employees, the determined initiative policies and activity plans via the persons in charge of compliance in each division and domestic group company, and to reflect them in activities being conducted in each workplace. Group companies engage in compliance activities by establishing promotion structures suited to their own size and circumstances. The Compliance Liaison Meeting also holds four meetings a year to share things like revisions to laws and regulations and points of concern regarding legal compliance, and to promote Groupwide compliance activities.

Organization chart



Specific initiatives

Whistle-blowing system

We have established a whistle-blowing system to promote early detection of violations of laws and regulations, and misconduct, within the company and to self-govern through appropriate measures. Called the Aichi Steel Compliance Hotline, we have established three contact points operated by external legal representatives, internal Audit & Supervisory Board members, and the General Affairs Division. Reported information is shared among the three contact points, and appropriate measures are taken to ensure privacy protection and to prevent disadvantageous treatment. In FY2023, 14 cases were reported, all of which were investigated, verified, and dealt with appropriately in cooperation with the relevant internal and external parties.

Information Security

Basic approach

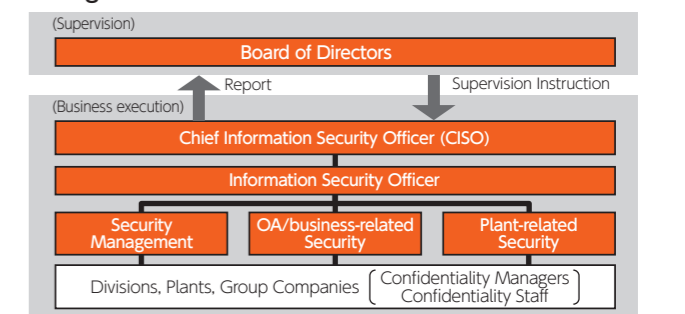
We possess important information assets, including information entrusted to us by our customers and suppliers, as well as trade secrets held by us. Amid recent advances in the networking of remote operations and plant equipment, it is our corporate responsibility to protect information assets from annually increasing cyber attacks and other threats, as well as information leaks, and to ensure a stable supply of products. We also recognize that this is an important management issue, and are committed to taking information security measures.

Promotion structure

Based on automotive industry cybersecurity guidelines and led by a Chief Information Security Officer (CISO), we have established a system that enables us to maintain and improve our information security on a systematic and ongoing basis groupwide, while ensuring

a uniform level of security globally. The CISO oversees our group's overall information security and information asset protection, and individual organizations are responsible for planning, promotion, auditing, and support. Twice a year, the Board of Directors receives progress, issue, and other reports from the CISO as part of its supervisory function.

Organization chart



Key Financial Data

	Japanese accounting standards								IFRS			
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020	FY2021	FY2022	FY2023
(million yen)												
Profit and loss												
Net sales	237,420	240,647	214,120	212,837	236,237	257,315	242,262	204,908	202,247	260,117	285,141	296,516
by segment												
Hagane Company	-	-	-	96,225	110,974	130,180	121,899	68,216	67,888	99,556	105,687	108,216
Stainless Steel Company	-	-	-	-	-	-	-	32,757	30,749	36,322	42,244	41,259
Kitaeru Company	-	-	-	99,599	107,352	109,217	102,018	86,012	85,993	103,037	114,463	124,262
Smart Company	-	-	-	13,820	14,786	14,627	14,865	15,476	15,171	18,970	20,243	19,940
Other	-	-	-	3,191	3,123	3,290	3,477	2,444	2,444	2,230	2,502	2,838
Operating profit	9,627	10,616	5,883	7,218	11,813	11,119	13,901	3,563	5,317	2,139	3,260	10,372
by segment												
Hagane Company	-	-	-	5,653	8,006	9,245	8,970	-2,294	-1,587	-7,238	-3,374	2,400
Stainless Steel Company	-	-	-	-	-	-	-	2,467	2,740	2,536	2,741	3,781
Kitaeru Company	-	-	-	845	2,747	1,057	3,329	1,909	2,387	4,311	1,713	2,682
Smart Company	-	-	-	237	348	-39	606	673	974	1,773	1,261	554
Other	-	-	-	482	710	856	993	807	782	889	918	954
Operating profit margin (%)	4.1	4.4	2.8	3.4	5.0	4.3	5.7	1.7	2.6	0.8	1.1	3.5
Profit before tax	9,779	10,693	1,409	8,045	12,371	10,455	13,158	4,717	5,552	2,895	4,099	10,947
Profit (attributable to owners of parent)	5,503	6,023	20	5,084	8,182	6,503	8,543	3,049	3,136	1,089	1,610	6,593
Capital expenditures and R&D expenses												
Capital expenditures	12,930	12,752	15,408	20,831	19,020	20,914	20,068	14,194	14,868	15,874	18,595	23,688
Depreciation expenses	12,355	11,833	12,692	12,353	13,818	14,423	15,884	16,963	16,903	17,276	17,821	18,312
R&D expenses	3,471	3,538	3,282	3,304	3,777	3,992	3,758	4,054	3,962	4,252	4,404	5,116
Profitability												
Return on equity attributable to owners of parent (ROE) (%)	4.2	4.1	0.0	3.6	5.6	4.3	5.6	1.9	1.7	0.6	0.8	2.9
Return on assets (ROA) (%)	2.2	2.3	0.0	2.0	3.0	2.3	3.0	1.0	1.0	0.3	0.4	1.6
Assets, liabilities and capital												
Total assets	255,259	264,694	251,078	271,763	275,315	290,294	280,380	314,040	353,043	364,400	385,449	443,108
Total equity (Net assets)	144,965	161,669	147,534	151,273	160,806	161,889	163,691	179,716	202,883	212,475	214,322	262,010
Equity attributable to owners of parent (Capital adequacy)	137,592	153,316	139,344	143,024	151,891	152,638	154,647	169,811	192,953	201,548	203,759	250,970
Ratio of equity attributable to owners of parent (%)	53.9	57.9	55.5	52.6	55.2	52.6	55.2	54.1	54.7	55.3	52.9	56.6
Interest bearing debt	52,046	44,915	37,447	54,598	47,317	59,618	59,445	75,878	75,864	66,668	86,395	73,381
Debt-equity ratio	0.38	0.29	0.27	0.38	0.31	0.39	0.38	0.45	0.39	0.33	0.42	0.29
Cash flows												
Cash flows from operating activities	14,992	19,336	25,193	13,350	13,164	13,580	36,308	14,793	15,896	5,210	13,028	33,817
Cash flows from investing activities	-11,993	-13,565	-12,122	-19,677	-20,954	-19,765	-24,517	-13,834	-14,247	-15,542	-15,958	-18,895
Cash flows from financing activities	-1,911	-10,158	-9,466	15,231	-9,509	9,035	-3,290	14,168	13,479	-11,987	16,998	-16,283
Investment indicators												
Basic net profit per share (Yen)	279.94	306.25	1.02	258.34	415.71	330.38	434.05	154.82	159.25	55.29	81.65	334.03
Net assets per share attributable to owners of parent (Yen)	6,995.84	7,794.08	7,080.24	7,266.42	7,716.77	7,754.80	7,857.00	8,619.39	9,794.01	10,224.55	10,328.55	12,712.37
Dividends per share (Yen)	100	100	100	100	120	120	130	45	45	30	30	100
Payout ratio (%)	35.7	32.7	-	38.7	28.9	36.3	30.0	29.1	28.3	54.3	36.7	29.9
No. of employees	4,613	4,617	4,654	4,773	4,847	4,957	4,912	4,826	4,826	4,740	4,650	4,572

Note 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 FY2013.

Note 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 FY2018. The key management indicators for FY2014, FY2015, FY2016 and FY2017 represent retrospective application of this accounting standard. Indicators and other information for FY2013 remain as they were prior to application of this accounting standard.

Note 3 International Financial Reporting Standards (IFRS) were applied from FY2021.

Company and Share Information (as of March 31, 2024)

Company Profile

Company name	Aichi Steel Corporation	General Meeting of Shareholders	June
Established	March 8, 1940	Shares per unit	100
Capital	25,016 million yen	Total number of shares outstanding	19,742,207 (excluding 144,468 treasury shares)
Head office	1, Wanowari, Arao-machi, Tokai-shi, Aichi 476-8666, Japan	Number of shareholders	9,807 (including Aichi Steel as holder of treasury shares)
Employees	Consolidated: 4,572; non-consolidated: 2,639	Ticker symbol	5482
Number of consolidated subsidiaries	17	Listed exchanges	Prime Market of Tokyo Stock Exchange Premier Market of Nagoya Stock Exchange
Accounting year	From April 1 to March 31 the following year		

Aichi Steel Group

<p>■ Production sites</p> <ul style="list-style-type: none"> Chita area <ul style="list-style-type: none"> Chita Plant Forging Plant Electronic Components Plant Kariya Plant Higashiura Plant Gifu Plant Seki Plant 	<p>■ Sales offices</p> <ul style="list-style-type: none"> Tokyo Office Osaka Office Fukuoka Sales Office <p>■ Overseas offices</p> <ul style="list-style-type: none"> Shanghai Representative Office Silicon Valley Office 	<p>■ Domestic Group companies</p> <ul style="list-style-type: none"> AIKO CORPORATION AICHI CERATEC CORPORATION OMI MINING CO., LTD. Aichi Techno Metal Fukaumi Co., Ltd. Aichi Steel Logistics Co., Ltd. Aichi Information System Corporation AIKO SERVICE CO., LTD. Asdex Corporation 	<p>■ Overseas Group companies</p> <p>Asia</p> <ul style="list-style-type: none"> AICHI FORGE PHILIPPINES, INC. AICHI FORGE (THAILAND) CO., LTD. Shanghai Aichi Forging Co., Ltd. PT. AICHI FORGING INDONESIA Aichi Korea Corporation Zhejiang Aichi and Aichi Magfine Technology (Pinghu) Co., Ltd. Zhejiang Aichi Mechanical & Electrical Co., Ltd. <p>USA</p> <ul style="list-style-type: none"> Aichi Forge USA, Inc. <p>Europe</p> <ul style="list-style-type: none"> Aichi Europe GmbH
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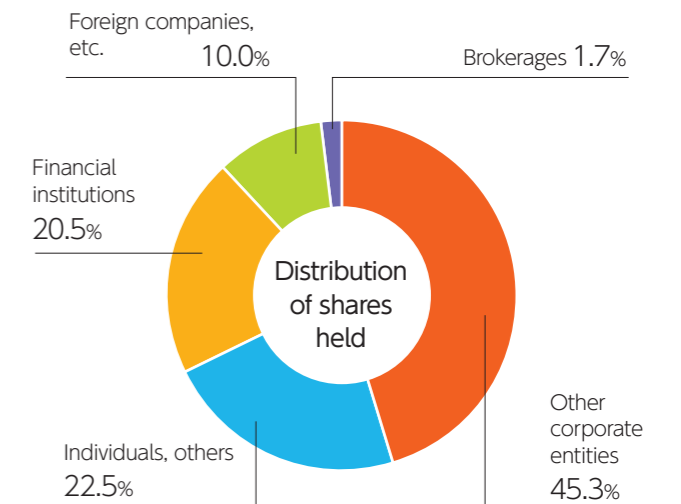
Rating Information (as of June 2024)

Rating Agency	Long-term	Short term
Japan Credit Rating Agency (JCR)	A (Stable)	J-1*

*Highest certainty of short-term debt fulfillment

Major Shareholders (Top 10)

Name	Equity in Aichi Steel	
	Stake (thousand shares)	Equity participation (%)
Toyota Motor Corporation	4,715	23.89
Nippon Steel Corporation	1,531	7.76
The Master Trust Bank of Japan, Ltd. (Trust account)	1,515	7.68
Toyota Industries Corporation	1,360	6.89
Custody Bank of Japan, Ltd. (Trust account)	638	3.24
Sumitomo Mitsui Banking Corporation	491	2.49
MUFG Bank, Ltd.	474	2.40
Toyota Fudosan Co., Ltd.	461	2.34
Employees' Stockholding	381	1.93
Hokokai's Stockholding	353	1.79



Recognition by Society

Human resource related



DX related



Participation in Initiatives

We are actively engaged in realizing a sustainable society through our support and participation in various initiatives.

