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.
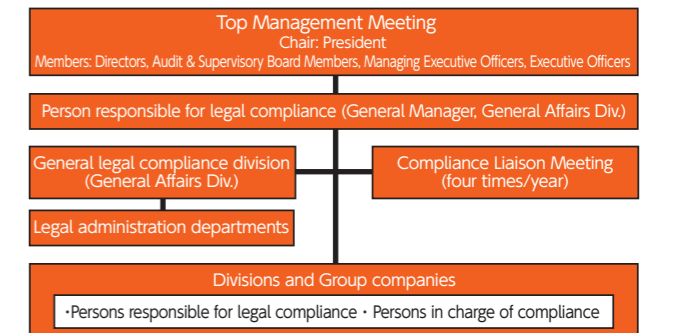
Compliance

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

Top Management Meeting
Chair: President
Members: Directors, Audit & Supervisory Board Members, Managing Executive Officers, Executive Officers

Person responsible for legal compliance (General Manager, General Affairs Div.)

General legal compliance division (General Affairs Div.)	Compliance Liaison Meeting (four times/year)

Legal administration departments

Divisions and Group companies
·Persons responsible for legal compliance ·Persons in charge of compliance

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

(Supervision)	
Board of Directors	

Report → ← Supervision Instruction

(Business execution)
Chief Information Security Officer (CISO)
Information Security Officer

Security Management	OA/business-related Security	Plant-related Security

Divisions, Plants, Group Companies	Confidentiality Managers Confidentiality Staff