

More enthusiastically, strongly and straightforwardly

**AICHI STEEL REPORT 2013**



## Mission Statement

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

## CSR Policy

We will contribute to the sustainable progress of society and the Earth through our sound corporate activities.

## CSR Vision 2015

- We will gain the trust and confidence of and give satisfaction to our customers and all other stakeholders.
- We will develop employees who are open and fair, developing a corporate culture characterized by a challenging spirit.

## 1S Culture

To be and to remain a globally valued enterprise, we promote our “1S” culture with top priority on the three Ss: Shojiki (Sincerity), Seiso (Cleanliness) and Safety.



## Aichi Steel Group's Action Guidelines

To establish a reliable corporate culture based on global perspectives and contribute extensively to society, we will respect human rights and comply with the letter and the spirit of domestic and overseas laws and rules, and will conduct ourselves independently with social commonsense with a view to building a sustainable society.


1. We will develop and supply products and services that are useful to society, taking fully into consideration safety, quality, protection of personal and customer information and will ensure that we provide a reliable service that satisfies our customers and society.
2. We will make every effort to develop fair, transparent, open business activities and conduct them in a dignified manner.
3. We will disclose corporate information to a wide range of parties in society including our shareholders in a positive and fair manner.
4. We will respect the diversity, personalities and individual characteristics of our employees, and at the same time we will secure a safe and pleasant working environment that will allow employees to enjoy comfortable and affluent daily lives.
5. We will engage in environmental preservation activities voluntarily and positively in full recognition of the importance of the environment.
6. As a "good corporate citizen," we will participate positively in social contribution activities.
7. We will deal with any organizations and individuals that may pose a threat to the good order and safety of civil society in a resolute manner, and we will never become involved with any of them.
8. In global management, we will comply with international and local laws and respect local practices and customs/cultures.

## About Aichi Steel Report 2013

### ■ Editorial Policy

Aichi Steel Report 2013 focuses on disclosing as much as possible about the activities undertaken by Aichi Steel and the Aichi Steel Group during fiscal 2012, including specific examples. Contributory factors are analyzed and measures to be taken are reported for all the objectives we did not attain.

### ■ Mark/Design

To render new and ongoing activities recognizable, new activities are marked  Universal Design\*<sup>1</sup>(UD) fonts\*<sup>2</sup> and other UD features are used to make the Report easy to read and understand.

### ■ Readers

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

### ■ Report Period and Scope

This Report covers activities conducted by the Aichi Steel Group during fiscal 2012 (April 2012 to March 2013). However, some activities conducted before or after fiscal 2012 are also explained where necessary.

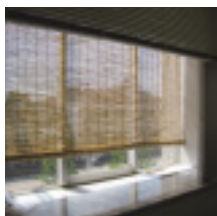
### ■ Reference Guidelines

The Global Reporting Initiative "Sustainability Reporting Guidelines" (Version 3.0)  
ISO 26000

\*1 Universal Design: a design approach that maximizes the usability of products, services, homes and facilities for everyone, regardless of age, gender or disability.

\*2 UD fonts: typeface design based on the principles of Universal Design

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## Corporate Profile

**[Establishment]** March 8, 1940  
**[Capital]** 25,016 million yen (as of March 31, 2013)  
**[Representative]** Takahiro Fujioka, President  
**[Employees]** 2,369 (as of March 31, 2013)  
**[Business Description]**  
 Production and sale of specialty steel products, forgings and electromagnetic products

**[Offices]**  
 Head Office: Tokai City, Aichi Pref., Japan  
 Sales Offices: Tokyo/Osaka/Fukuoka  
 Overseas Offices: Shanghai/Silicon Valley  
 Plants: Chita/Kariya/Forging/Higashiura/Gifu/Seki  
**[Customers and Suppliers]**  
 Major Customers: Toyota Tsusho Corporation/Toyota Motor Corporation/Aisin AW Co., Ltd.  
 Major Suppliers: Toyota Tsusho Corporation/Mitsui & Co., Ltd.

## Major Products

### Specialty steel

Specialty steel is manufactured by adding alloys and metallic elements to iron to improve material properties, such as strength, hardness, toughness, wear resistance, corrosion resistance.

[Example products] structural steel, free-cutting steel, spring steel, etc.



### Stainless steel

Tough and corrosion-resistant stainless steel is used in applications relating to water, such as dams, sluices and ships. It is also used in chemical and nuclear power plants, as well as in construction materials and everyday utensils.

[Example products] Stainless steel shapes, round bars, etc.



### Forgings

Forgings, produced by pressing and forging specialty steel, are used in automobiles, construction machines and manufacturing machines that require strength and durability.

[Example products] Crankshafts, differential ring gears, rear axle shafts, etc.



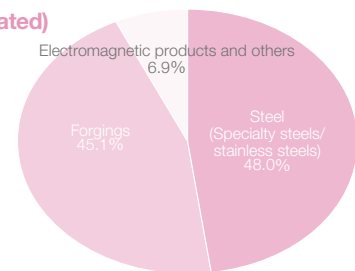
### Electromagnetic products/ TetsuRiki-Agri

Using our know-how in specialty steel manufacturing, we develop electronic components, magnets and sensors. In addition, "TetsuRiki-Agri," which promotes plant growth through the latent power of iron, has also been developed.

[Example products] MAGFINE, MI sensors, TetsuRiki-Agri, TetsuRiki-Aqua, etc.



## Sales Mix (Consolidated)



Results for Fiscal 2012  
 Consolidated net sales: 217,279 million yen

Please refer to our Website [http://www.aichi-steel.co.jp/pro\\_info/index.html](http://www.aichi-steel.co.jp/pro_info/index.html)

## Aichi Steel Group

### Subsidiaries in Japan (9 subsidiaries)

- Aiko Corporation
- Aichi Ceratec Corporation
- Omi Mining Co., Ltd.
- Aichi Techno Metal Fukaumi Company
- Aichi Steel Logistics Co., Ltd.
- Aichi Information System Company
- Aiko Service Co., Ltd.
- Aichi Micro Intelligent Corporation
- Asdex Corporation

### Overseas subsidiaries (10 subsidiaries)

- Aichi Forging Company of Asia, Inc. (AFC)
- Aichi Forge USA, Inc. (AFU)
- Aichi Europe GmbH (Ae)
- Aichi International (Thailand) Co., Ltd. (AIT)
- Shanghai Aichi Forging Co., Ltd. (SAFC)
- PT. Aichi Forging Indonesia (AFI)
- Aichi Magfine Czech s.r.o. (AMC)
- AMIT, Inc.
- Aichi Korea Corporation (AKC)
- Aichi Magfine Technology (Pinghu) Co., Ltd. (AMT)

Please refer to our Website [http://www.aichi-steel.co.jp/com\\_info/a\\_group.html](http://www.aichi-steel.co.jp/com_info/a_group.html)

**We strive to achieve sustainable growth in an era of “survival of the fittest” by respecting and supporting each individual’s spirit of “I will.”**



**Fiscal 2012 can be summarized as a year when we devoted concentrated efforts to laying the foundation for promoting our global tetra-polar production system in terms of quality and quantity.**

**Fiscal 2012 saw significant changes in the business environment, including exchange rate fluctuations. Please tell us about your business situation during the fiscal year from a holistic perspective.**

**We faced the very difficult task of steering the company through a harsh business climate.**

Automotive manufacturers, which are our major clients, have accelerated the shift from domestic production to overseas production as part of their global strategies, thereby causing growing demand for local procurement. At the same time, we faced increased pressure from specialty steel manufacturers to reduce costs to strengthen international competitiveness amid the strong yen trend.

Against this backdrop, the Aichi Steel Group reinforced our global tetra-polar production system (encompassing Japan, North America, the ASEAN region and China), and promoted Group-wide efforts to reduce costs through the entire operations process from procurement to production. In fiscal 2012, we experienced an increase in the production and sales of forgings, which was supported by stronger demand in the automotive industry, but we saw a decrease in the production and sales of steel materials largely due to reduced demand in non-automotive industries.

A series of measures for correction of the yen appreciation and a breakaway from the deflationary spiral launched by the new government installed at the end of 2012 helped us restore our production for major clients. Moreover, our strenuous efforts toward a more robust corporate structure have spread steadily into the Group companies. Since the beginning of fiscal 2013, I have felt that our efforts have begun to pay off.

**What were your major topics in fiscal 2012?**

**Full-scale operation of AIT’s new Pinthong Plant**

Aichi International (Thailand) Co., Ltd. (AIT), which is our Thai subsidiary positioned as a key production base for the ASEAN market, completed the construction of the new Pinthong Plant in May 2012 and began commercial production in June. Before its relocation from Amata Nakorn Industrial Estate to Pinthong Industrial Estate, AIT had received forgings from Aichi Steel’s subsidiaries in the Philippines and China, undertaken secondary fabrication and inspected them, then supplied them to automotive parts makers in Thailand. However, the new plant has installed a 1,600 ton forging press to complete the entire process from production to shipping within Thailand. We will make planned investments to enhance the production capability of the plant.

**Conclusion of a technological support agreement with India’s UML**

In May 2013, Aichi Steel concluded a technological support agreement with India’s Usha Martin Ltd. (UML), the world’s leading specialty steel and wire rope manufacturer, with the aim of improving the quality of UML products by providing the transfer of our specialty steel production technology. The Indian market is expected to see an increase in demand for special steel bars for automotive use.

This technology transfer will enable UML, which has an integrated steelmaking plant in Jamshedpur in the northeast of India, to improve the quality of its special steel bars, by which Aichi Steel will also be able to strengthen our global supply chain and contribute to the development of the automotive industry within Asia.

**Full-scale operation of Chita Plant's No.3 bloom continuous casting facility**

The No. 3 bloom continuous casting facility (No. 3 CC) constructed in June 2011 is our major specialty steel production facility and a state-of-the-art machine, the introduction of which aims to enhance the quality, productivity and energy saving of our business. No. 3 CC began operation at full capacity in August 2012, steadily contributing to cost improvement. However, we will continually strive to maximize the potential of the facility.

**Formation of a business alliance with ROHM in the sensor field**

In February 2013, we entered into a business partnership with ROHM Co, Ltd. (based in Kyoto) in the field of sensors. We developed a nanotechnology-based high performance MI Sensor magnetometer, and in 2002 we began the production and sales of electronic compasses for smart and mobile phones. While further increasing the sensing capabilities of the MI Sensor, we have faced the task of developing an MI element-based electronic device.

ROHM, boasting superior mass production technology and sales capabilities in the sensor business, had shown great interest in our MI Sensor magnetometer with a view to developing next-generation multiple sensors. Through this partnership, we aim to take advantage of the two companies' strengths and create synergies to increase the market share in the growing sensor market and enhance capabilities to respond to market demands.

**We will pursue the "survival of the fittest" by increasing our global competitiveness, enhancing our ability to respond to TNGA,\*1 and promoting cost reduction.**

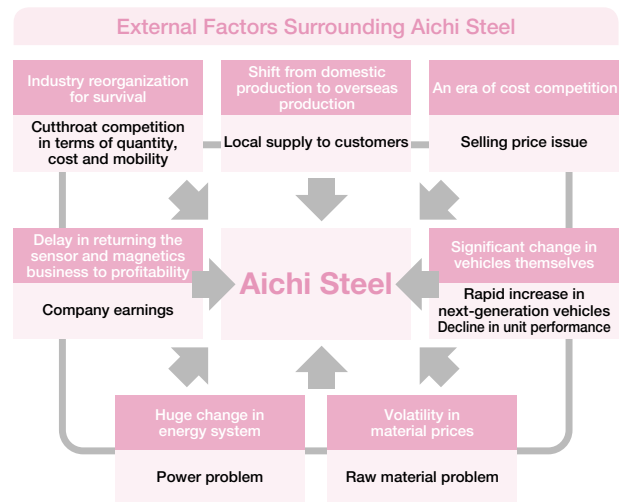
**Please tell us about future trends in the market and the future direction of the Aichi Steel Group.**

**We will keep a close eye on the accelerating shift to overseas production and on next-generation vehicle trends.**

With economic recovery in the US gathering steam, we are enjoying growing demand for forgings used for the engines, transmissions, and suspension systems of large SUVs and midsize sedans, the production of which we have traditionally focused on. Moreover, we have seen a continued increase in production for emerging economy markets. Considering the external environment, however, we cannot be optimistic. Automotive manufactures will further increase overseas production. In 2017, 75% of the world total production of automotive part units, including engines and automatic transmissions, is expected to be manufactured overseas. On the other hand, however, the consolidation of production has been propelled by the standardization and modularization of automotive parts through the introduction of TNGA. Moreover, it is expected that in 2019 to 2020, next-generation vehicles (HVs, PHVs, EVs, FCVs,\*2 etc.) will account for about 20 % of the total automotive market share. This means that the number of parts used per vehicle and the use of specialty steel will decrease. There are also other risk factors, such as rises in the prices of imported materials and crude oil, as well as electricity rate hikes resulting from the suspended operation of nuclear power plants. Given these circumstances, we have to overcome harsh low-cost competition.

**We will get through the "survival-of-the-fittest era" with three key measures.**

In the biological world, there is the idea of the "survival of the fittest," which means that species that cannot adapt to drastic environmental changes go extinct and only adaptable species can survive. This is also true in business. Companies cannot survive global competition without taking a cool look at business environments and taking appropriate responses in a timely manner. We have focused on three urgent issues that must be addressed for the Aichi Steel Group to achieve sustainable growth, and have accelerated our efforts to tackle them.



\*1: Abbreviation of Toyota New Global Architecture, a new development framework announced by Toyota in April 2012. This new system enables the standardization of parts and components across different models from the development stage, improving the efficiency of the development process while reducing costs.

\*2: HV = hybrid vehicle, PHV = plug-in hybrid vehicle, EV = electric vehicle, FCV = fuel-cell vehicle

## Message from the President

### [Strengthening and accelerating global competitiveness] ...

The first issue we should address is to reinforce our global tetra-polar production system, keeping up with the speed of local procurement by automotive companies. As part of this effort, we have concluded a technological support agreement with India's Usha Martin Ltd. (UML) to expand our supply chain in the ASEAN market. Moreover, we are preparing for having Aichi International (Thailand) Co., Ltd. (AIT) function as a business base for our entire operations in Asia. For this purpose, we have promoted Aichi Steel's structural reforms to enhance flexibility and functionality and have given a mission to all departments and functions within the Company to support overseas operations. In November 2012, we held the Aichi Global Meeting with the aim of enhancing the autonomy of our Group companies, in which executives from Group companies in Japan and abroad gathered to exchange their opinions and views. In this way, we have been grappling with the task of increasing global competitiveness in terms of both "hardware" (material goods) and "software" (human resources).

### [Strengthening the TNGA-ready system] .....

The second issue is to establish and reinforce a system that enables us to quickly respond to Toyota's new TNGA (Toyota New Global Architecture) system by improving our technology development capability and production preparation method to promote a reduction in the size and weight of the products we supply. At the same time, we need to grasp the future direction

of Toyota's next-generation strategic vehicles at an earlier stage. In this respect, we have the advantage of having an integrated forging and steelmaking system and being a Toyota Group member. Making full use of these advantages, we need to get involved in the development of such vehicles from the planning and design phase and contribute to promoting Toyota's consolidation of production and cost reduction based on our expertise and experience in material procurement and processing.

### [Promoting cost reduction without sanctuaries] .....

The final issue is to pursue Group-wide efforts to minimize procurement and other costs and improve our material, resource and energy efficiency. We are currently working on "Project ZZ100," which aims to establish a corporate structure that can boost our profits to more than 10 billion yen per year by the end of fiscal 2014. In the production process, we are seeking to improve yields and productivity by streamlining operations through the steady implementation of 4S (simple, slim, short, straight) reengineering.\*<sup>3</sup> In addition, we have made visible numerical values for our quality control systems and cost structures and have launched a project to accelerate the speed of improvement, thereby promoting cost reduction efforts without allowing sanctuaries.

\*<sup>3</sup> "Reengineering" means fundamentally overhauling the operation systems and methods, based on an entirely new, innovative idea.

## We will undergo self transformation to "remain the company of choice" for all stakeholders.

We will tackle challenges with the spirit of "I will."

Please tell us how your CSR management is going?

### Promoting efforts to instill and establish a "1S" culture, which serves as the basis for everything

In 2009, the Aichi Steel Group launched the concept of the "1S" culture, which places top priority on the three S's: *Shojiki* (Sincerity), *Seiso* (Cleanliness) and Safety. Since then, we have implemented and instilled the culture within Group companies. To gain the trust and confidence of society, it is essential to ensure sound business practices, which also requires each individual employee to be sound. In March 2012, we revised our CSR Card pocketbook, which outlines the Group's CSR policy, and distributed it to all the Group companies in Japan and abroad to further promote the establishment of our "1S" culture.

### Facilitating energy and natural resources saving through loss reduction and production process reforms

Strong economic growth and expansion in emerging countries have brought the energy and environmental issues confronting the world to the surface. Aichi Steel is a resource-recycling corporation whose main business is to produce high value-added products from scrap iron. However, we are in a processing industry that consumes large amounts of energy during the production process. We recognize the reduction of environmental

burdens as a challenge of primary importance, and have focused our efforts on radical reduction in energy loss, the reform of our overall production and logistics processes, and energy and natural resources saving, such as by increasing our use of natural light and changing conventional lamps to LED bulbs.

### Expanding our CSR activities as a corporate citizen

We recognize the importance of continuing CSR activities. As part of such efforts, we have been working with the Toyota Group and the steel industry to expand the scope of our activities to provide assistance to reconstruction and recovery from the Great East Japan Earthquake. Moreover, we have been raising our employees' awareness of CSR and strengthening bonds with local communities by promoting a wide variety of long-term activities. Such efforts include a project to visit local schools to give our "Lesson about Iron" to children, the forestation project "Forest-Creating Volunteers," the natural ecosystem preservation project "Forestation for Beetles," and the "one-coin" donation program, in which employees can contribute one or more shares (100 yen a share), which are collected from their payroll, to the Aichi Steel Volunteer Fund.



## For human resource management, what kinds of approaches have been taken?

### Promoting diversity management

To grow as a true global company, it is essential to establish and implement programs and systems that enable employees with diverse backgrounds and ways of thinking to make the most of their strengths at work. To ensure “right-person-in-the-right-place” employment, we have been engaged in improving the working environment by increasing opportunities for women to play a more active role, enhancing the development of human resources with a global perspective, providing employees with education to enhance communication between generations, and promoting the creation of barrier-free workplaces for employees with disabilities.

### [More opportunities for women to play a more active role] ...

We started to hire women for technical jobs in fiscal 2010. Now, you can see more women working at our plants. Our company has promoted QC (Quality Control) Circle activities in the workplace, and those female employees have been actively engaged in such “improvement” activities in a male-dominated workplace. In the 2012 Nationwide QC Circles Convention, a circle from our company, whose members include the first women in our company to join a workplace responsible for inspecting and shipping steel products, received the Gold Prize for their efforts in improving the quality of products from a woman’s unique perspective. In fiscal 2012, we introduce a new program that appraises each individual’s efforts based on the previously defined requirements that serve as an individual’s growth target, into the personnel system for administrative staff, many of whom are women.

### [Development of human resources with a global perspective] ...

To accelerate the expansion of our presence around the world, it is important that all employees come together as a Global Aichi, across language and cultural barriers. Believing that the first step toward this end is to appreciate other cultures, we have newly incorporated foreign language study programs and lectures by employees with wide-ranging experience overseas into education for Japanese employees upon promotions to new job levels. We also launched a one-year training program for Thai employees last year; we have since accepted a total of 30 persons from Aichi International (Thailand), who are now playing an active role back home. In addition, we have continuously held training programs designed for employees from Indonesia and China. For employment, we have actively recruited people with different cultural and other backgrounds.

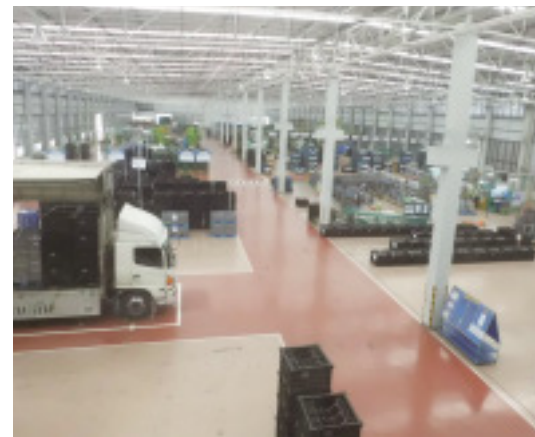
## Lastly, could you tell us about the issues you are going to address and your resolution?

### Seeking to “remain the company of choice,” while inheriting and implementing the DNA from our founder

In fiscal 2013, we will develop a medium-term business plan (from fiscal 2013 to 2015) and a new long-term vision toward 2020, under the slogan “I will: rebuilding our business by changing ourselves.” To ensure speedy business implementation, we conducted a drastic personnel change in the board to significantly reduce the number of board members and create a new post of executive officer. This aims to speed up business management and clarify where responsibility lies by separating the decision-making function from the business execution function. In 2015, Aichi Steel will celebrate the 75th anniversary of its founding. Our founder Kiichiro Toyoda laid the foundation for the development of the Toyota Group by pursuing high-quality steelmaking based on the principle that “Great cars are made with great steel” and the belief that “a strong sense of responsibility and an iron will to hold out to the last will eventually bring about success to your business.” This has precisely embodied the spirit of “I will,” and is a demonstration of our company slogan “Rebuilding our business by changing ourselves.” Aichi Steel will seek to “remain a company of choice” for all stakeholders. To this end, every employee will continue to strive to pursue the realization of his/her own vision with a keen awareness of being a member of the Company.



# Toward Being a True Global Company



New AIT plant

## Toward reinforcing overseas operations

We are now working on the reinforcement of our highly competitive, global tetra-polar production system, under which, with our Forging Plant as their mother plant, we help overseas Group companies conduct business operations with a high degree of autonomy by creating advanced and high-performance production lines that place priority on safety and environmental friendliness.

Moreover, Aichi International (Thailand) Co., Ltd. (AIT) has established an integrated forging production system that enables the entire process from production to shipment, with the aim of firmly capturing the rapidly growing demand

for forgings in the ASEAN market and further expanding its business.

Aichi Forge USA, Inc. (AFU) aims to become a comprehensive forging manufacturer that can respond to growing demand for small and medium-sized forgings resulting from the increased local procurement by customers, in addition to the sales expansion of truck parts and other large forgings. To respond to the rapidly changing market and customer needs, AFU has been strengthening its collaboration with Aichi Steel, such as by sending trainers from the mother plant to AFU on a regular basis.

## Top executives of Group companies gather from across the world to share issues confronting them

The Aichi Steel Group has actively promoted the globalization of its business operations; now, overseas sales account for approximately 30% of the Group's total sales.

The expansion of our global presence means an increase in the number of stakeholders. To continue to steadily fulfill our CSR, it is important for all our employees around the world to understand and share the Group's basic philosophy, values and business policy, as well as each company's business outline and the social challenges confronting them.

In fiscal 2012, the 1st Aichi Global Meeting was held for top executives from all the Group companies around the world, with the aim of forging closer ties among the Group companies in Japan and abroad.

In the meeting, Group company presidents and employees reported the current status of their operations and areas for improvement, on which discussions were conducted and case studies were shared. Participants also discussed the autonomy of overseas subsidiaries. This event contributed to enhancing mutual understanding and friendship among participants.

Taking this opportunity, we will further strengthen our Group ties, promote the autonomy of each Group company, and promote the development and exchange of human resources from a global perspective. Through these activities, we endeavor to build more robust capabilities for consolidated management.



The 1st Aichi Global Meeting held in November

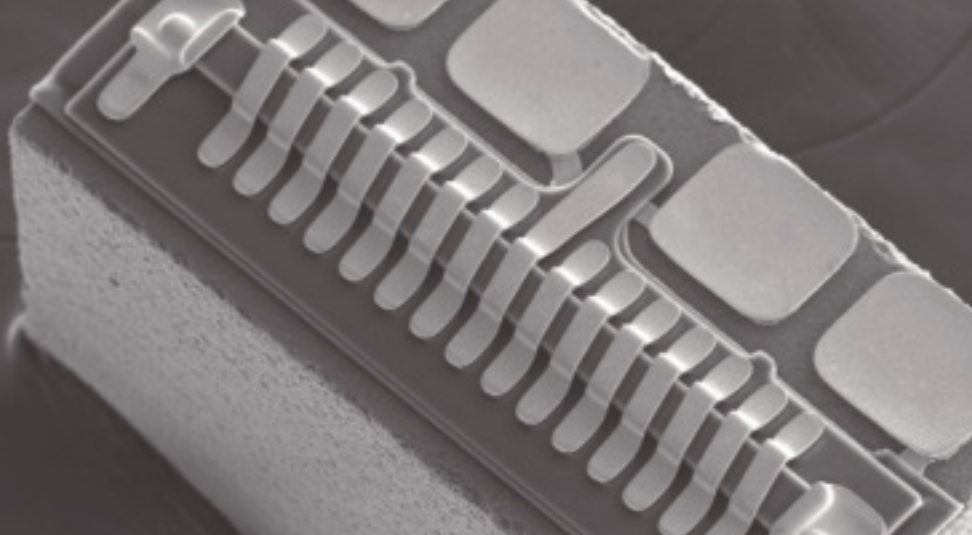
## Upgrading and expansion of AIT as the core of the ASEAN market

AIT was relocated in June 2012 to a new plant that features an integrated forging machine to complete the entire process from production to shipping, and commenced production activities smoothly. Using a 1,600 ton forging press, the plant has been manufacturing a forging part called "yoke," which is used as a joint that conveys power from a car engine.

To respond to growing demand from the ASEAN region, AIT is currently constructing production lines for automotive crankshafts, with the commencement of operations expected in 2014. The Thai subsidiary is planning to install medium and

large-sized forging facilities. With the Forging Plant in Japan as the mother plant, AIT seeks to build a "global production bridge" by establishing a mutually complementary relationship. Moreover, AIT has promoted the sharing of employee training programs and information on improvement efforts with other subsidiaries around the world.

With AIT expected to serve as the hub of the Aichi Steel Group in Asia in the future, we have launched a training program to foster administration staff.



MI device

## Various Initiatives toward Increased Profits

### Shift in business model (MAGFINE)

The Company succeeded in developing heat-resistant, dysprosium-free anisotropic neodymium magnet powder (MAGFINE: our registered trademark) in 2010 after 20 years of research and development efforts. To increase sales of this MAGFINE series, we will enhance direct sales of unprocessed magnet powder, in addition to magnet products molded before delivery. Direct sales of magnet powder can allow users to produce magnets at their parts assembly lines, contributing to the enhanced cost-competitiveness of our customers.

We have about three quarters of a century of experience as a material manufacturer. Based on this experience in manufacturing, we will promote flexible business operation by further strengthening our development and production of magnetic powder to enable the manufacture of materials under conditions convenient for their users. While continuing efforts for the sales expansion of products for small motors for automobiles and electric appliances, we will also enhance technical proposals from the design stage, with the aim of increasing adoption for new purposes. With regard to new purposes, we have been receiving inquiries from various manufacturers both inside and outside Japan, in response to which we will build a new business model taking full advantage of our company's DNA. By leading this business model to success, we will improve profits in the electromagnetic components business.

### Tie-up with ROHM Co., Ltd.

#### - Rising expectations for next-generation sensors -

In February 2013, the Company concluded a business tie-up with ROHM Co., Ltd. in the sensor business segment.

The purpose of this tie-up is to expand sales in the sensor market by establishing a cooperative relationship in development and production by combining our strengths in MI device and magnetic sensing technologies with ROHM's semiconductor processing technologies, which enable the qualitative/quantitative enhancement of MI devices, which are core components for sensors.

The synergy effect generated by this tie-up will enable the development and manufacture of sensing devices with higher performance than existing products. Combination with the ROHM's abundant sensor lineups also enables us to meet the



ASCON-D4



MAGFINE magnets



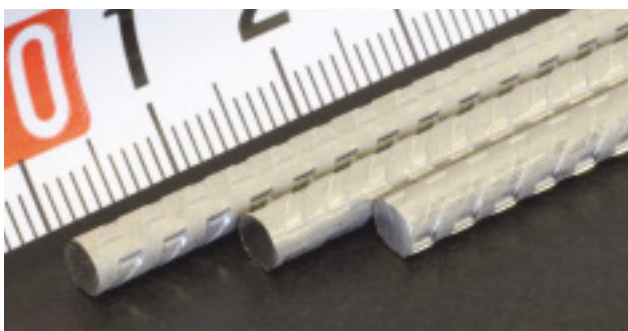
MAGFINE magnetic powder

increasingly diverse needs for applications.



### Commercialized the steel industry's first fine stainless steel deformed bar for concrete reinforcement "ASCON-D4"

As our new product for stainless steel deformed bars, we developed, jointly with Aiko Corp., the steel industry's first fine stainless steel deformed bar for concrete reinforcement "ASCON-D4", which was made of SUS304 austenitic stainless steel. This ASCON-D4 (original size: 3.91 mm in diameter) is finer than the JIS's smallest size bar of D6 (6.35 mm in diameter), and is expected to be used for the reinforcement of concrete secondary products. ASCON-D4 is the first fine deformed stainless steel bar in the steel industry that has achieved both excellent corrosion resistance, a characteristic of stainless steel, and sufficient bond strength to concrete with its deformed cross-section surfaces. It is expected not only to contribute to the improved durability of concrete secondary products, but also to be used for a wide variety of purposes. In November 2012, ASCON-D4 was first adopted for the construction of a national highway in Fukushima. We will further promote our rich product lines of stainless steel deformed bars (trademark: SUSCON) by appealing to relevant parties in both the public and private sectors, so as to contribute to the improvement in durability of concrete structures.



Thin stainless steel bar ASCON-D4

### "Tetsu-Midori," the first FeO-containing fertilizer in Japan - N, P, K + FeO fertilizer, usable for a wide variety of purposes -

We have introduced "Tetsu-Midori", which contains ferrous oxide as a plant growth promoter. "Tetsu-Midori" is a new fertilizer, which combines a fermented organic fertilizer with ferrous oxide, can stably and gradually dissolve the iron ions essential for plants in soil, resulting in improving soil status both in nutrition and biology. Iron nutrition effectively to improve photosynthetic activity and respiratory functions by increasing chloroplasts (chlorophyll), therefore, "Tetsu-Midori" works in all types of plants such as flowers, teas and vegetables for promoting the growth of agricultural produce.

Tetsu-Midori may contribute to the agricultural problem such as unusual weather and repeated cultivation because iron deficiency is tend to be occurred in such situations.



Tetsu-Midori fertilizer for general farmers

## Basic policy

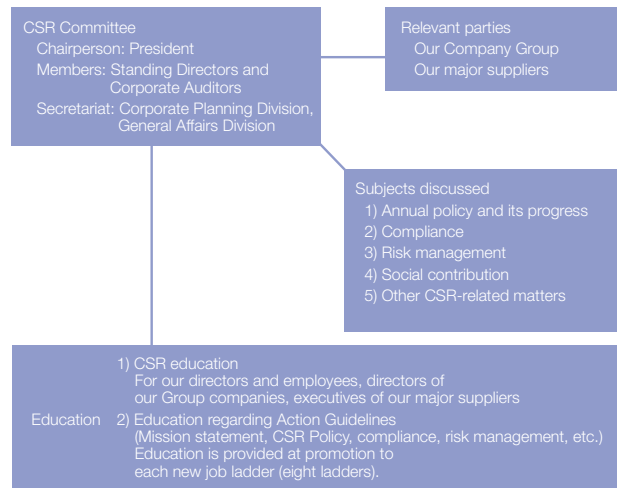
We at Aichi Steel strive to pursue a business that places value on social morality and relations with local communities in order to fulfill our obligations in compliance with laws and regulations, as a good global corporate citizen. We practice CSR management to gain trust from all our stakeholders by establishing our Long-Term CSR Vision and implementing our Medium-Term CSR Plan.

## CSR guidelines

In 2007, we revised the "Aichi Steel Action Guidelines" established in 1998 into the "Aichi Group Action Guidelines," which are practical guidelines that must be followed during global business activities. (See page 1.) The Guidelines have served as a basis for the CSR management of the Aichi Steel Group as a whole. We have also established the Basic Management Rules (4 items in 2 categories), the Rules of Employment (15 items in 2 categories), the Organization Rules (8 items in 2 categories), and the Business Administration Rules (293 items in 10 categories). These rules are revised whenever any changes are made to related laws and regulations and environmental conditions, and they are also checked, audited and revised on a regular basis.

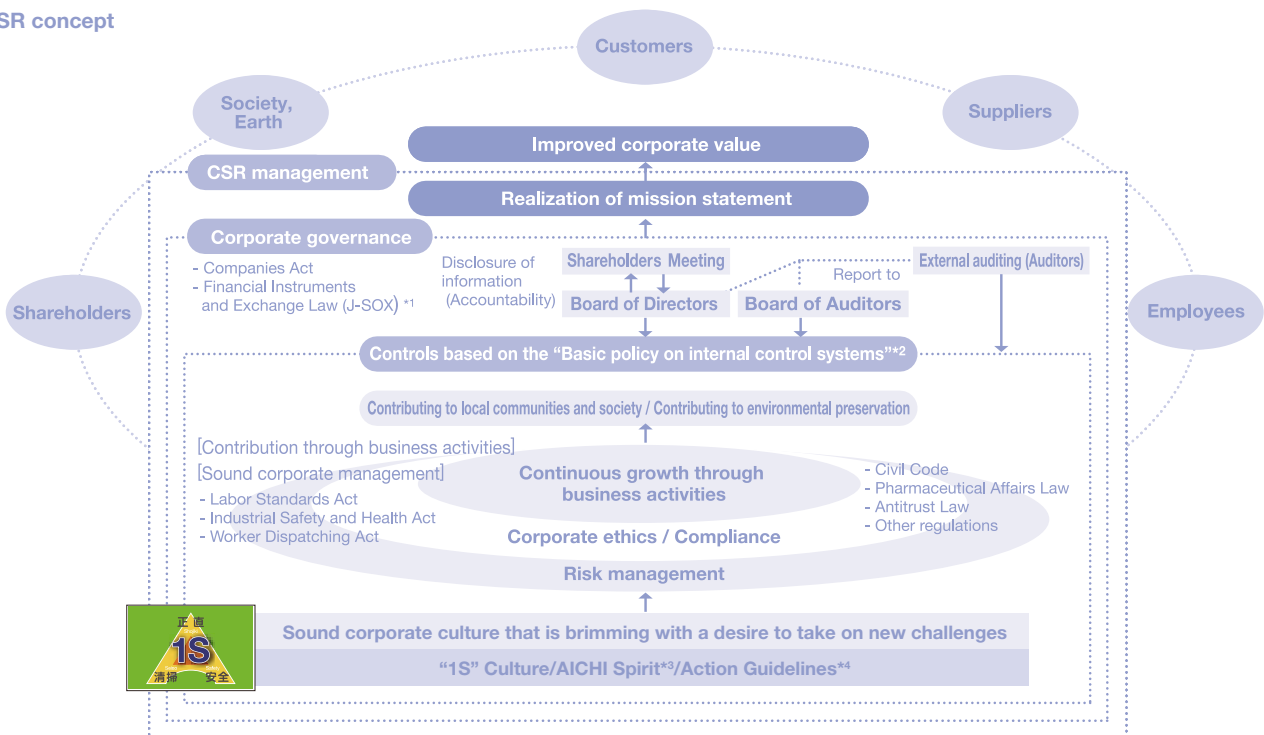
## CSR system

With our president as the chairperson, the CSR Committee meets twice a year (in September and March) to report and check the progress of our CSR management efforts, including those of the Aichi Steel Group companies and major suppliers.



Note: System as of fiscal 2012

## CSR concept



Note: System as of fiscal 2012

\*1 J-SOX: The Japanese version of the U.S. SOX (Sarbanes-Oxley Act). This Act was created using SOX as a model and was designed to improve the accounting auditing system and internal control of companies in Japan.  
\*2 Internal control: Activities and systems to control, monitor, and secure the soundness and efficiency of operations, as part of corporate governance, by following standards and procedures established for individual operations.  
In particular, standards and systems to prevent improper financial accounting should be established, and auditing should be conducted to verify that they are operated properly.  
\*3 AIACHI Spirit: A slogan presenting, in an easy-to-understand manner, the management philosophy, sense of value, and other basic ideas upheld by Aichi Steel as its corporate "genes" inherited from predecessors (established in July 2006).  
\*4 Aichi Steel Group Action Guidelines: Practical guidelines that must be followed during business activities (revised in January 2007)

## Medium-Term CSR Plan priority issues and major activities in fiscal 2012

○ : Target or significant result achieved  
 △ : Target not achieved or poor activity result  
 × : Serious problem or improvement suggested

	Priority items	Actions taken for priority issues	Targets	Achievements/challenges	Assessment
Business activities	1. Development and provision of products/technologies that can satisfy eco-minded customers	◇ Reinforcing our planning and market search abilities to find new markets for new next-generation products ◇ Developing mass-production technology for new stainless steel products ◇ Introducing biodiesel-powered vehicles into plants	Individual implementation plan	- With the full-operation of the new CC facility, the achievement of cost reduction is in sight.  - Eight vehicles introduced into the Chita Plant.	○
	2. Innovation for environment-conscious manufacturing and contribution through resources recycling	◇ Developing high-value added technology (Slag reform team) ◇ Reinforcing the basic R&D system by setting up a Company-wide task force for next-generation development	Individual implementation plan  June 2012	- Construction of the AS Shot production facility completed, and prototype fabrication started. - Organizational change implemented in June 2012, with the task force installed.	○
	3. Response to globalization	◇ Planning an Aichi Global Meeting ◇ Strengthening global market research functions (ASEAN, China, North America, etc.) ◇ Developing a plan for establishing a company that oversees operations in ASEAN ◇ Responding to global organizations	Nov. 2012 June. 2012  Jan. 2013  Jan. 2013	- Meeting held in Nov. 2012 (with 75 participants, including 19 from abroad). - Company-wide awareness of globalization enhanced by establishing the Global Strategic Council. - Organizational change implemented in Jan. 2013; a task force for an administrative office for Asia launched in the Corporate Planning Division. - Global Group and Global Facilities Maintenance Group newly established in Forging Plant Unification Dept. and Facility Engineering Div., respectively.	○
	4. Enhancement of consolidated management capabilities	◇ Establishing a Consolidated Management Promotion Council with the aim of sharing policies with domestic subsidiaries and enhancing management capabilities	Sept. 2012	- Operation of the Council started in Sept 2012; Case studies and Aichi Steel's measures shared among subsidiaries.	○
Social contribution	5. Community activities resulting in environmental/social contribution	◇ Continuing assistance for reconstruction and recovery from the Great East Japan Earthquake - Participation in activities by the Toyota Group Disaster Volunteer Net - Holding of a workshop "Lesson about Iron" for children at affected areas - Participation in the "Cabbage Project" to support recovery from the disaster ◇ Participating in activities to preserve bio-diversity in the Chita Peninsula ◇ Increasing the number of participants in donations from the payroll ◇ Continuing to hold the workshop "Lesson about Iron" for children in Tokai City	Individual implementation plan Individual implementation plan May 2012 Individual implementation plan Continued implementation Individual implementation plan	- Two persons participated in July 2012, and one person in October. - Seminar held in Ishinomaki City in Nov. 2012 and in Kamaishi City in Jan. 2013. - TetsuRiki-Agri (1 ton) donated to Miyagi Prefecture. - A plan developed to promote forestation to create a habitat for beetles in Nakashinden - Participants: 370 - Lesson about Iron offered to 12 elementary schools in Tokai City (Sept. 2012 and Jan. 2013)	○
Compliance/risk management	6. Diffusion of and strict adherence to CSR Policy among all relevant parties, including suppliers	◇ Promoting CSR through supply chain - Continuing CSR support activities for subsidiaries and suppliers	Mar. 2013	- Education on governance and compliance provided by the Audit Dept. to domestic and overseas subsidiaries. - Revised edition of CSR Card distributed. (English version of CSR Card distributed to overseas subsidiaries.)	○
	7. Response to risk factors beyond our control, such as natural disasters and changes in the external environment	◇ Creating a system that enables early production recovery based on the BCM policy - Safety measures for people and facilities - Creating headquarters that properly functions at a time of disaster  ◇ Developing and implementing backup action plans (BAPs)	Individual implementation plan	- Evacuation sites reviewed, and fall-prevention measures taken. (Budget for human safety secured.) - Diagnosis of liquefaction conducted (Oct. 2012) - Initial response training held at the headquarters of each Group company (Oct. 2012) - Earthquake/tsunami drill conducted (Dec. 2012) - BAPs reported to Strategic Issue Promotion Council (Apr. 2012)	○
	8. Response to risk factors controllable by the Company	◇ Further ensuring strict compliance with laws and regulations - Holding compliance study meetings for executives on a regular basis - Monitoring the compliance status of each division ◇ Preventing compliance failures - Holding 1S study meetings for managers on a regular basis	Once per half-year  Individual implementation plan  Individual implementation plan	- Workshop for new executives held in Sept. 2012; workshops for all executives held in Oct. 2012 and Mar. 2013. - Audits conducted at 10 divisions (Human Resources Div., Finance & Accounting Div., Purchasing Div., etc.) - "1S" workshop held four times.	○
Human resources development/corporate culture	9. Creation of a safe/comfortable workplace environment	◇ Taking necessary measures to be delisted as a "business facility under special guidance on safety management by the government."	Zero serious accidents/accidents resulting in work time losses	- A safety emergency declared in August due to the outbreak of a disaster.	△
	10. Human resources development to improve job quality and in response to global business activities	◇ Systematically developing human resources with a global perspective - Sending young employees to overseas subsidiaries for short-period practical training - Enhancing employees' awareness of the globalization of business activities - Providing a training course to improve language skills ◇ Conducting an employee satisfaction survey	Mar. 2013  Four times per year Individual implementation plan Individual implementation plan	- One employee sent to AFC (the Philippines) and AFU (USA) each (6 months) - Lecture on business globalization held. - Radio course + lessons: 130 participants - Questionnaire survey conducted in Oct. 2012	○

## Overview of Major Achievements in Fiscal 2012

Category	Description
Business activities	Measures were enhanced in response to globalization in business, and employees' awareness was also raised. (Global Strategic Council, Aichi Global Meeting, etc.)
Social contribution	Continuing support was provided for reconstruction and recovery from the Great East Japan Earthquake.
Risk management/compliance	We are working on the development of the BCM program; it is necessary to further improve the program.
Human resources development/corporate culture	Many accidents occurred within Group companies. To prevent the recurrence of accidents, each individual must have a sense of danger and follow the established procedures properly.
	Concrete measures for the development of human resources who can play a leading role on the global stage were introduced; it is important to continue to implement the measures.

## Basic policy

Upholding the CSR basic policy “We will contribute to the sustainable progress of society and the Earth through our sound corporate activities,” we are striving to establish/maintain an organizational structure capable of responding promptly to changes in the business environment and a fair and transparent management system. By doing so, we hope to gain trust from our shareholders as well as society as whole. We endeavor to ensure the promotion of “1S” culture with top priority on the three S’s: *Shojiki* (Sincerity), *Seiso* (Cleanliness) and Safety.

## Corporate governance guidelines

We have published two types of code of conduct: the “Action Guidebook for Directors” and the “Aichi Steel Group Action Guidelines.” In fiscal 2010, we reviewed and revised them to match changes in the law. In fiscal 2012, we used these guidebook and guidelines to provide training to freshman employees as well as education to other employees at promotions to new job levels.

## Meetings of the Board of Directors and the Board of Auditors

The Board of Directors, consisting of Directors appointed by shareholders, makes decisions concerning the Company’s critical issues from the viewpoints of necessity, legality, efficiency, etc., after engaging in discussions and mutual monitoring. Corporate Auditors and the Board of Auditors then examine whether such decisions involve any violations of laws/regulations.

### Attendance rates in fiscal 2012

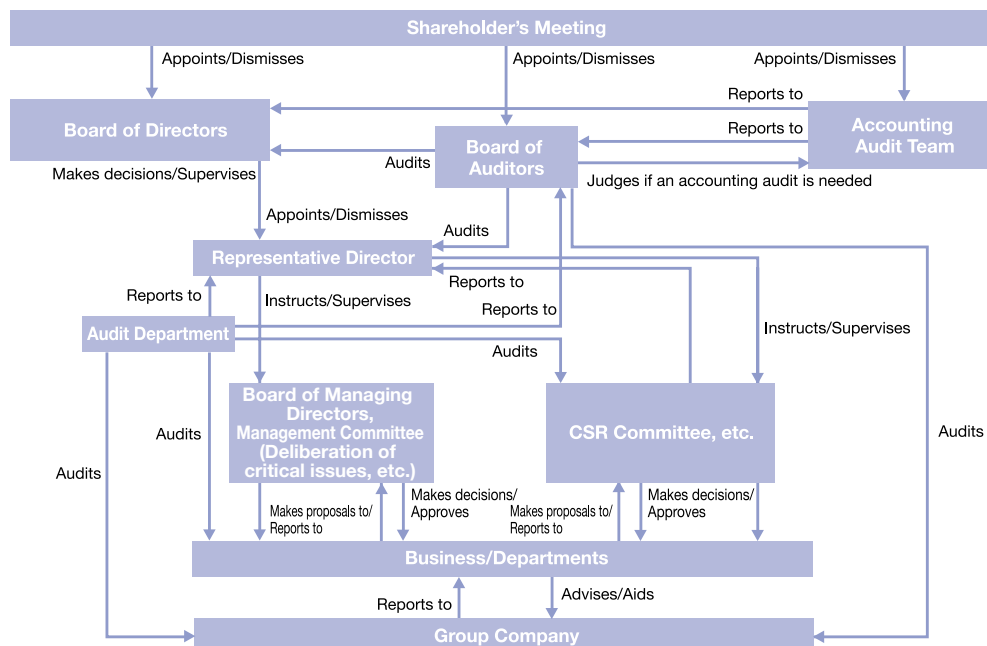
	Meetings	Director attendance rate	Corporate auditor attendance rate	
			Standing corporate auditors	Outside corporate auditors
Board of Directors	13 times	99%	100%	85%
Board of Auditors	10 times		100%	87%

## Internal control system

Whether the Basic Policy for the Internal Control System requires revision is determined every year, and the operation status is reported to the Board of Directors. In fiscal 2012, a regularly scheduled review was made of the basic policy in April, and it was confirmed that our internal control system was functioning properly. Therefore, it was decided to maintain the current basic policy.

The shareholders’ meeting held in June 2013 passed a resolution introducing a new board of director system, in which the number of directors would be reduced and the position of Executive Officer would be created, in order to promote rapid decision-making and strengthen the function of business execution.

## Corporate governance system



Note: System as of fiscal 2012



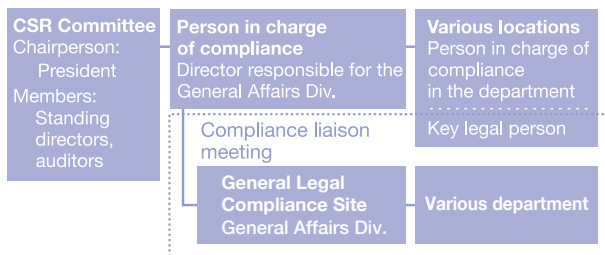
## Basic policy

We aim to be a reliable company through the protection of human rights and compliance with laws and regulations, and by respecting public decency. To enhance the overall compliance of our Group, the CSR Committee – headed by the President – decides and reviews compliance policies on a regular basis.

## Compliance Guidelines

We strive to improve our compliance with laws and regulations as well as our public manners, based on the Aichi Steel Group Action Guidelines. To enhance employees' awareness of compliance, various workshops and training sessions have been held at every opportunity, using compliance manuals, the Aichi Steel Group Action Guidelines, and the 1S Guidebook.

## Compliance promotion system



Note: System as of fiscal 2012

## Compliance education program

To enhance the compliance awareness of employees, we provide education on compliance to all employees. Compliance education is also covered in the Action Guidelines workshop held for those promoted to each new job ladder. Moreover, we issue “Legal Affairs News” to deliver information about compliance issues closely related to our daily lives, which enables employees to check such information on our intranet.

Workshop for each job ladder	267 participants
Seminars for newly appointed directors	September
Compliance workshop for directors	March
CSR lecture	October
1S workshop	4 times (April, July, October, February)
Compliance Liaison Meeting	4 times (July, October, December, March)
Legal Affairs News	4 times (April, July, October, February) Theme: Learning from other companies' law violation cases (2 times) Legal changes (1 time) Export control (1 time)

## “Compliance Close Call” activities

All Company members were encouraged to report their experiences that were near to compliance violations or predicted risks in fiscal 2012, and a total of 3 cases were reported. These cases were presented as cases requiring caution at the Compliance Liaison Meetings (four times a year), and this information was disseminated by key legal persons to every workplace.

Information security control	Traffic safety	Purchasing	Labor	Safety/environment	Private information protection	Others	Total
133	56	32	0	39	16	40	316

## Operation status of the “Hotto” Line

Aichi Steel Group Compliance Hotline is a hotline system to encourage internal reporting of improper actions. During fiscal 2012, the hotline received three internal reports, fewer than the previous year. We will continue our efforts to enhance the self-correction mechanism by distributing notices about improper action throughout the Company and conducting educational programs to prevent recurrence. Reported facts are investigated and the necessary measures to correct improper actions are taken. They are also reported to the president.

Rules for operation of the Line and protection of the privacy of callers are provided in Corporate Ethics Rules, and necessary measures are taken with regard to the protection of whistle-blowers.

## Calls to the “Hotto” Line

Fiscal year	2008	2009	2010	2011	2012
No. of calls	5	9	9	6	3

## Intellectual property protection

In fiscal 2012, there were no complaints or comments concerning intellectual property.

## Number of our patent applications in fiscal 2011

	Japan	Overseas
Number of applications	14	10

## Promotion of CSR activities throughout the supply chain

As part of efforts to support our suppliers' compliance activities, we have developed a CSR program for our supply chain. (See page 20.) In fiscal 2012, CSR seminars for suppliers were held (in October) to raise their awareness of our compliance. We will make continuous efforts to promote CSR throughout our supply chain.

## Compliance workshop

A compliance workshop with a prominent lawyer as guest speaker was held for directors, officers, executive advisory engineers and division general managers to heighten their awareness and understanding of how to prevent compliance deviations and how to respond if such a case happens. We will actively and continuously promote compliance activities to further ensure employees' compliance and prevent the occurrence of compliance deviations.

## Basic policy

We have established a risk management system led by the CSR Committee, so that in the case that we face/predict a serious risk, we can take prompt and appropriate action and ensure sound business operation.

## Risk management guidelines

We have established risk management rules and other rules that set forth the responses to be taken depending on the type/level of risk. To secure a reliable risk management system, these rules are reviewed on a regular basis and revised whenever necessary to respond to changes in the business environment and new potential risks.

## Risk management promotion system

Risk management issues are delivered and discussed by the CSR Committee. We have prepared a risk map, in which risk items for each job ladder are organized according to the degree of importance and urgency. The development of a disaster prevention/reduction scheme that enables a quick response to emergencies is underway, including the setup of emergency Company headquarters in the case of earthquakes or other disasters.

## A company-wide emergency drill

With the protection of life as our top priority, we reviewed the location of secondary evacuation sites designated by the Company based on the government's assumption compiled in preparation for a possible Nankai Trough earthquake. We also conducted an emergency drill on the assumption that tidal waves (tsunamis) might occur to check to see what route should be taken and how long it would take to move to the secondary evacuation sites.



Evacuation to higher ground (secondary evacuation site)

## Conclusion of a new cooperation agreement on disaster management NEW

In response to a request from Tokai City that has promoted the creation of a disaster-resistant community, we concluded an agreement to allow the municipal government to use our Yokosuka dormitory as an evacuation facility in the case of a major earthquake and tsunami, so that elderly people and those with disabilities, who cannot go to public evacuation sites in a short time, can escape disaster. As part of our CSR efforts, we will continue to work with the City to promote disaster management.



Cooperative agreement concluded with Tokai Mayor Atsuo Suzuki

## Disaster prevention measures

Following the Great East Japan Earthquake, we established the Earthquake Preparedness Committee, under which three subcommittees—the Software Safety, Hardware Safety, and Production Recovery Subcommittees—were set up. With the safety of employees as the top priority, the subcommittees are working to reinforce measures to minimize damage from disasters and improve BCM (Business Continuity Management) plans. In fiscal 2012, equipment for securing the safety of employees and a kit of emergency supplies were distributed to each division, and necessary measures were taken to secure safe evacuation routes in the case of power outage, including the installation of emergency lights, the use of light-emitting seals for evacuation routes, and the distribution of flashlights to employees. We also reviewed and improved the content of disaster supplies and emergency food for regional plant headquarters and the Company's emergency headquarters. Moreover, in order to fulfill our responsibility as a supplier even when our production plants are damaged by a disaster, we are planning a cooperative system under the framework of BCM, which enables cooperation across company borders—with affiliates and even with our competitors—and mutual support, including production at alternative facilities and procurement of spare parts from other companies.

## Promotion of anticrime activities

We consider crime prevention activities as an important CSR activity. As part of efforts to improve the safety and security of the local community in which Aichi Steel is located, we have been implementing various crime prevention programs inside and outside of the Company and raising the crime prevention awareness of the Company itself, the employees and their families. The provision of employees' information regarding crime prevention has contributed to enhancing crime prevention awareness and increasing communication in the workplace.

- (1) Crime prevention evaluation and countermeasures (Crime risk evaluation and advice by Tokai Police Station)
- (2) Holding of a seminar on crime prevention for employees (with an expert as speaker)
- (3) Publication of a crime prevention newsletter (introduction to security measures for individuals and at home, as well as crime cases)
- (4) Promotion of crime prevention activities in the neighborhood of the Company (installation of night-time illuminations and red flashers, and distribution of violence banishment leaflet at nearby stations)



Report of crime prevention activities

## Basic policy

Confidential materials shall mean any and all information, products and facilities that may cause a disadvantage to the Company or benefit a third party if made it known to the public or if leaked out, and the use and disclosure of which is controlled by people in charge of confidentiality management, who are designated under the information security promotion system. Confidential materials also include other companies' confidential materials obtained by fair means.

## Information security guidelines

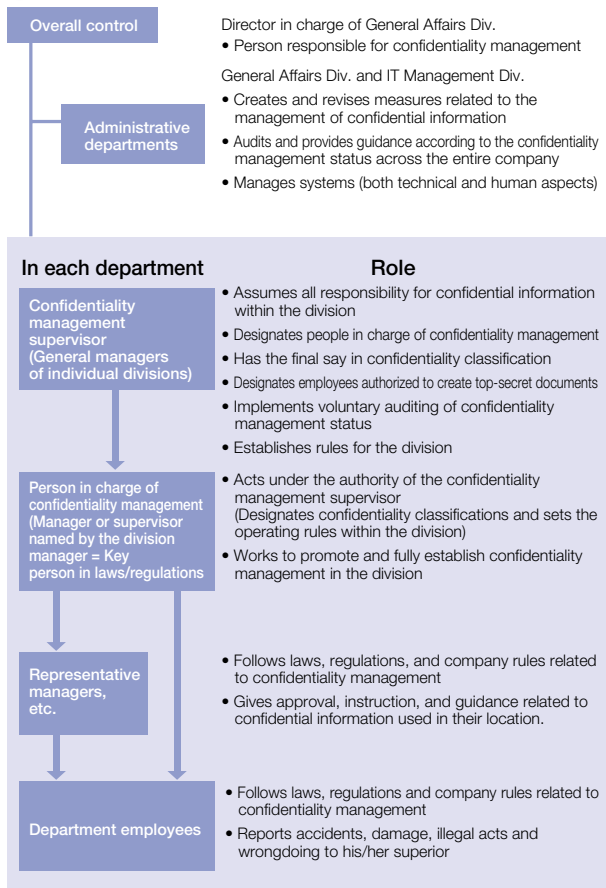
We have established the following rules to control confidentiality and prevent leakages of private information.

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

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

## Information security promotion system

### Management system and roles of each department



## Information security

Recognizing the importance of information security control, we have provided education on information control, and raised employees' awareness of relevant rules and reviewed them, in compliance with the All Toyota Security Guidelines (ATSG).

The Risk Management Department conducts strict audits of e-mails and baggage inspections to check whether internal information has been carelessly leaked outside.

### Information audit results

Auditing of e-mails	Cases detected: 31	Failure to set a password for a file Inclusion of a password in an e-mail message E-mailing to a terminal unit for private use
Baggage inspection	Cases detected: 20	Incomplete permit application

## Education on information security

- Educational programs for each job ladder (6 job ladders: 137 employees)
- Compliance Liaison Meetings
- Presenting cases from both inside and outside the Company to draw attention to important points
- Liaison meetings with domestic group companies

## Further promoting information security control in domestic group companies

A survey is conducted of our domestic Group companies once a year using a self-assessment sheet concerning information security control, based on which we request them to make necessary improvements. In fiscal 2012, improvements were made at many Group companies.

## Others

We provide USB memory storage devices to each department/section as a tool for using Company information. All existing USB devices were replaced with new devices with a function enabling the setting of a password and data encryption to further enhance their information security. The use of such a USB device to take information out of the Company requires approval from the head of the department/section to which the user belongs. Moreover, our system control does not allow non-registered USB devices to access the PCs used in the Company. To prevent the transmission of viruses, antivirus software has been installed in all the PCs used in the Company.

In addition to the full-scanning of PCs on a regular basis, daily management has been conducted using client PC management software.

## Quality Management System (QMS)

<Basic Policy>

In accordance with our policy of “Quality First,” we strive to establish a business structure trusted by customers on the basis of our ISO 9001, and deliver attractive products that meet customers’ expectations and needs.

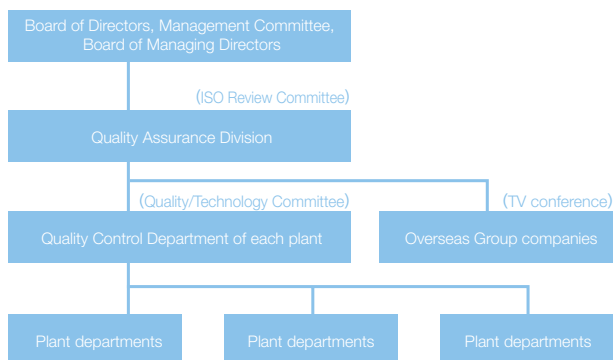
Under our long-term Quality Vision 2015, we will make Company-wide united efforts to establish a quality assurance system that enables us to lead other companies in quality competition.

© Long-term quality vision 2015

Becoming an integrated forging and steelmaking company that provides the world’s best quality: Achievement of a global competitive edge in quality

- 1) Upgrading of quality
- 2) Establishment of a quality assurance system on a global basis
- 3) Facilitation of TQM (Total Quality Management) to enhance the quality of work

## Quality assurance system



Note: System as of fiscal 2012

## Quality assurance activities

In fiscal 2012, there were no reports from our customers of serious quality problems that could lead to a recall of faulty products.

Based on a review of the results of quality activities and the policies of the Medium-Term Quality Plan 2014, we will promote the actions listed below as our priority issues for fiscal 2013 under the slogan, “Promotion of activities to enhance the quality of products and work throughout Aichi Global.

- ① Improve the quality of work involving all employees (SQC & QCC).
- ② Prevent the occurrence of serious quality problems.
- ③ Establish conditions for non-defective products.
- ④ Enhance the global quality control/quality assurance system.
- ⑤ Enhance workplace capabilities by implementing the “1S” culture and the culture of “learning from each other, developing each other, and correcting basic posture.”

## “Quality Month” activities

In Japan, November has been designated “Quality Month.” To better understand and share the impact of serious quality problems on our customers and ourselves, we held six events including exhibitions and lecture meetings. In the lecture meeting, Mr. Koichi Ota, Managing Officer of Aisin AW Co., Ltd., was invited to speak about “the quality assurance system of Aisin AW.” (November)

## Global quality assurance activities

Auditors specializing in quality assurance are sent to five overseas subsidiaries producing forgings in order to provide support for their quality enhancement activities. The auditors check their quality control systems from 25 points of view, including where and how products are placed, and product marking. Based on the findings, they give guidance to prevent quality problems in the future.

## All-Aichi QC Circle Convention

The All-Aichi QC Circle Convention was held again this year at the Workers’ Cultural Hall in Chita City. At the event, Toyota Motor Corporation’s K-1 Circle, which received the gold award at the Nationwide QC Circles Convention, gave a presentation on their case, in addition to superior case presentations from in-Company and Group company teams. The event was a huge success, attracting 1,005 participants, far exceeding the number of the previous year. (February)

We started expanding our QC Circle activities on a global scale. In the convention for fiscal 2013, employees from our overseas subsidiaries will participate and make a presentation.



## Continuing efforts to strengthen administrative and technical SQC ability NEW

We relaunched our efforts to strengthen the SQC (Statistical Quality Control) ability of administrative and technical. We seek to enhance the SQC ability of administrative and technical by encouraging them to attend SQC workshops and holding SQC presentation meetings so that they can improve by learning from others.

## ISO quality certification acquisition

### (1) The 15th regular assessment of steel materials and forgings

We received recommendation for continued registration of our steel materials and forgings for ISO 9001 from Japan's ISO examination and registration organization JICQA. (September)

### (2) Renewal of ISO certification for electromagnetic products and dental materials

We received approval for renewal of ISO 9001 for our electromagnetic products and renewal of ISO 13485 for our dental materials from the registered certification body BSI Japan. (February)



Examination for renewal of ISO 9001 certification

## ISO certification acquisition

Kariya Plant	ISO9001	April 1993
Chita Plant	ISO9001	December 1995
Forging Plant	ISO9001	November 1997
Electromagnetic products	ISO9001	March 1998
Dental materials	ISO13485	July 1999
Dental materials	EC Directive	July 1999
Analysis & Testing Dept.	ISO17025	September 2007

## Consolidated subsidiaries

Omi Mining	ISO9001	May 2002
Aiko	ISO9001	April 2005
Asdex	ISO9001	June 2008
AFC	ISO9001	April 2003
SAFC	ISO/TS16949	August 2006
AIT	ISO/TS16949	March 2008
AFI	ISO9001	November 2008
AFU	ISO/TS16949	September 2008

## Certification by third-party organizations

In addition to ISO 9001 certification, we have received various third-party labeling certifications for product quality based on our QMS. For the renewal of these certifications, we receive assessment on a regular basis (every year or every three years).

- New JIS mark (by JICQA)
- Marks issued by shipping classification societies:  
NK, LR, GL, DNV, KR, CCS, CR
- Marks issued by TÜV  
(Technical Inspection Association in Germany), etc.

## Full-scale operation of No. 3 bloom CC facility **NEW**

Our No. 3 bloom continuous casting (CC) facility constructed in 2011 went into full-scale operation in August 2012. Making the best use of this state-of-the-art system, we are working to enhance the internal quality and surface quality of our products.

## Gathering the opinions of major customers **NEW**

We have established a database in which faulty product reports and demand from our customers, investigation statuses, and feedback to customers are stored. Since 2012, we increased our efforts to pursue the real cause of customer complaints (defects within specifications required) and to prevent recurrence.

## Strengthening relationships with our customers

We conducted 19 study meetings with our customers to enhance their understanding of our products and activities. We also held an event to promote technological exchange with our customers on 10 occasions, providing us with an important opportunity to grasp their needs.

## Salesperson training program

To improve our salespersons' skills, we developed and implemented an education curriculum for newly assigned salespersons. Through the training, they were able to acquire basic knowledge more effectively and enhance their work efficiency.



Seminar to enhance the skill of convincing description

## Plant tour for customers in fiscal 2012

We have held plant tours for our major customers to enhance their understanding of our production lines and our commitment to quality. In fiscal 2012, the plant tour was conducted 359 times, with a total of 2,675 participants.

### Basic policy

We have procured superior raw materials, supplies, facilities and parts necessary for manufacturing specialty steel, forgings and electromagnetic components, from Japan and around the world. We provide potential suppliers with our procurement information and open and fair opportunities for transactions, in the hope that we can work together with a new partner to help expand each other's business and share the results.

### Aichi Steel Purchasing Policy

Sound corporate activities  
Selection of suppliers based on the open-door policy\*  
Co-existence and co-prosperity based on mutual trust  
Creation of environmentally friendly products through promotion of "Green Purchasing"

\*Fair and just attitude of selecting suppliers

### Fair transactions

We have not conducted direct transactions with many suppliers from developing countries. We usually purchase products from abroad via trading companies and resource/raw material suppliers.

To promote fair and proper transactions and ensure stable purchasing, we strive to proactively make improvements using internal and external audit systems.

### Green purchasing

We actively exercise green purchasing by employing our own Green Purchasing Guidelines to purchase environment-friendly products and services from suppliers who pay attention to global environmental protection.

We have recently promoted green purchasing with special emphasis on the 3Rs (reduction, reuse and recycling) of resources and the reduction of CO<sub>2</sub> emissions.

### Purchasing guidelines

We have established various Company rules and green purchasing guidelines in order to ensure that our purchasing activities comply with applicable laws and regulations, including the Commercial Code and the Anti-Monopoly Act, and contribute to the reduction of environmental burden. In accordance with these rules and guidelines, we purchase products and services from suppliers.

### Supply chain CSR

We have been promoting CSR activities together with our suppliers, using the "supplier diagnosis sheet" program launched in fiscal 2009. Our suppliers conduct self-diagnosis concerning the items below.

- ① Compliance (legal compliance, confidentiality/personal information protection, etc.)
- ② Safety/quality (provision of product information, product safety, quality assurance, etc.)
- ③ Human rights of workers (affirmative action, respect for human rights, prohibition of the use of forced labor/child labor, etc.)
- ④ Environmental protection (establishment/operation of EMS (Environmental Management System), greenhouse gas reduction, etc.)
- ⑤ Social action (contribution to the local community)
- ⑥ Information disclosure (provision of information/dialogue)
- ⑦ Risk management (establishment/operation of a risk management system, BCP, etc.)

Based on the diagnosis results, we will continue to identify issues to be tackled by each supplier and promote information exchange to enhance our suppliers' CSR activities.

## Basic policy

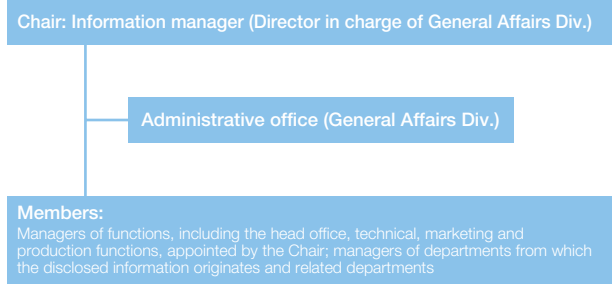
We believe that one of the most important actions in business is to return profits to shareholders.

To respond to the trust and expectations of shareholders, we will make efforts to create attractive corporate value for investors through establishing a high profit-earning foundation for key businesses and promoting business structure reform focusing on one and only products. We believe it is important to conduct business activities in accordance with our Mission Statement and CSR Policies, and to meet the expectations of all stakeholders.

## Disclosure

Information disclosure is handled under the system below, to ensure timely, complete and correct disclosure.

### Information Disclosure Preliminary Review Committee



## Plant tour for shareholders

The shareholders' meeting for fiscal 2012 held in June was followed by a plant tour for shareholders who wished to join it. After the meeting, 27 participants toured our No. 3 bloom continuous casting facility, a state-of-the-art environmentally friendly facility to produce high quality products, whose construction was completed in 2011.



Plant tour

## Basic labor safety/health concept

### (1) Strengthening of "heart, mind, and body"

Heart: Strong belief and tension to pursue safety

Mind: Careful observation and thorough investigation of true causes

Body: Powerful actions, dedicated efforts

### (2) Visualization

Visualization of problems (negative issues, poor conditions)

Visualization of good points (improvement cases, knowledge, experiences)

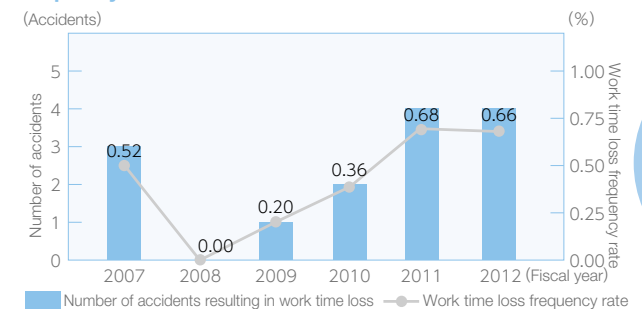
Visualization of standards, changed points, or other status

### Basis of activities

Focusing on comprehensive safety and health management, make straightforward efforts for improvement, aiming to achieve "zero accidents in all workplaces throughout Aichi."

## Frequency of accidents and work time losses

### Frequency of accidents and work time losses



The number of accidents resulting in work time loss is on the increase. Since the serious accident that took place in 2007, there have been more than 41 accidents, comprising those both resulting in and not resulting in work time loss. We will further promote our safety efforts to achieve "zero accidents at all workplaces throughout Aichi," by raising each employee's awareness of danger and how to carry out task given to him/her.

## Follow-up meetings by top-level safety managers NEW

We have promoted efforts to enhance safety and prevent serious accidents and accidents resulting in work time losses, by reviewing and improving the "declaration of safety" activities by top-level safety managers.



On-site inspection by top-level safety managers in a follow-up meeting

## Safety News NEW

The monthly newsletter “Safety News” is published with the aim of raising employees’ awareness of labor safety and further promoting small group activities for ensuring worksite safety.



## Establishment of safe operation procedure manuals

We have prepared and improved safe operation procedure manuals for all plants, with focus on the movement of operators’ eyes, hands and feet. At the same time, we have also promoted activities to identify safety issues, and create and implement solutions by checking operation procedures in terms of the operator’s movement lines.

## Creation of safe worksites NEW

We have been promoting our efforts to create safe worksites, with higher priority given to work areas with higher levels of danger. For example, equipment with the potential risk of trapping or catching part of an employee’s body is ranked on a scale of A to D, and any equipment ranked as D is eliminated. To prevent electric shocks, exposed charging equipment is removed from the facility under three time frames. For the “separation of people and vehicles,” we have created a map of individual plants, on which danger zones are indicated in three levels. We will develop a three-year plan for such major safety improvement areas and steadily implement the plan.

## Time dedicated to safety management

We have decided to set aside time for safety management every day at each plant. Under this program, each plant spends about one hour after the lunch break dedicated to safety-related matters. The aim is to enhance employees’ awareness of safety and their attention to danger by encouraging managers to play a leadership role in promoting workplace safety, observe work procedures, and give proper guidance for eliminating any unsafe behaviors or states.

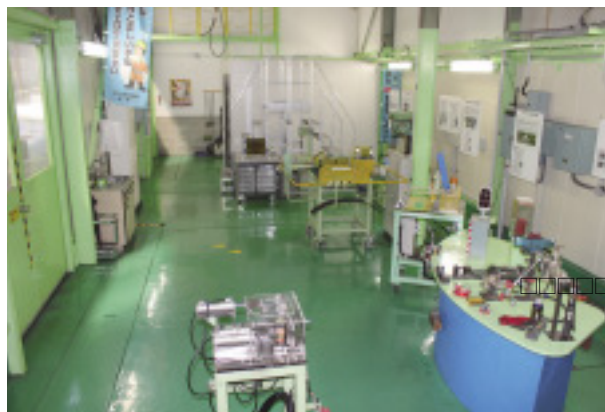
## Development of safety-conscious human resources through hands-on training NEW

As part of our efforts to enhance employees’ awareness of labor safety, we have created a facility for simulating danger, in which employees can get some firsthand experience with potential risk in day-to-day operations. We continuously take improvement actions to create safer worksites and prevent accidents in all workplaces by enhancing employee’s awareness and understanding of labor safety.

## Education training on labor safety and health

In fiscal 2012, we continued to provide the 4-round Risk-prediction training for young employees, training on the OSHMS\* concept and operation for management-level staff, and training and labor safety and health for superintendents. Efforts were also made to foster instructors in order to beef up the content of education to include how to respond to abnormalities.

\*OSHMS: Occupational Safety & Health Management System



Danger simulation dojo



## Kariya Plant receives award in recognition of a zero accident record for one year

The Japan Iron and Steel Federation staged the 54th awards ceremony honoring organizations for safe operations, in which the Kariya Plant received an award in recognition of its zero accident record for one year. This was the second consecutive award. (February)



## Call for blood donation

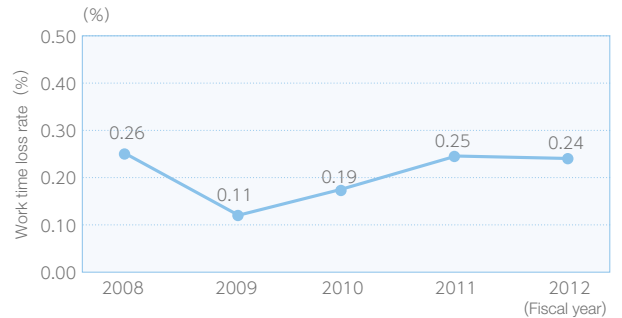
The Aichi Steel Group cooperates with blood donation twice a year (September and March) at the request of the Japanese Red Cross Society and the Japanese Red Cross Aichi Blood Center. In fiscal 2012, 434 employees of the Group donated a total of 170.4 liters of blood.



## Mental health

With the rate of work time loss due to mental health problems on the increase, we are currently considering measures to prevent the occurrence of mental illness.

### Rate of work time loss resulting from mental health problems



## Walking 800,000 steps in three months

The Aichi Steel Health Insurance Association has implemented the "Aichi Fitness Walking Program," in which employees are encouraged to walk 800,000 steps in three months to promote their health. After signing up and registering for the program, participants in teams of five or more walk for fitness and make up for a lack of regular physical activity.

To help employees form an exercise habit, we have set the three-month fitness walking enhancement period twice a year (beginning in April and October); those who achieve their goal are presented with a small gift.

## Low-calorie rice at worksite canteens NEW

To promote the health of employees, we offer low-calorie rice at company canteens twice a week (on Tuesday and Thursday). The rice mixed with Mannan Hikari konjac rice, which features low calorie and high dietary fiber, not only reduces calorie intake but also has a good flavor and taste as white rice.



# With the Local Community and Our Employees (Employment and Human Resource Development)

## Basic policy

We promote the creation of a workplace environment that enables employees to feel fulfillment from their work, protects their health, and helps bring out the individuality and ability of each employee to the utmost, by developing and implementing various projects to secure and develop human resources; that facilitates the effective posting of workers and makes full use of their abilities; and that raises their morale and motivation.

## Employment guidelines

Basic matters concerning employment are set out in the Company's Rules of Employment, as well as in laws and regulations or a collective agreement, to establish fair labor conditions, to promote and maintain public order in the workplace, and to enhance the productivity of the Company.

We clarify and implement our recruitment standards in conformity with the Equal Employment Opportunity Law, the Corporate Code of Conduct set forth by the Japan Economic Federation, and the Aichi Steel Group Action Guidelines.

## Efforts by overseas subsidiaries

For the recruitment of new employees, our overseas subsidiaries take appropriate measures to prevent child labor or forced labor, including demanding a certificate verifying the age of the employee, or an ID card.

## Respecting human rights/Prohibition of discrimination

The Aichi Steel Group announced in the "Aichi Steel Group Action Guidelines" and the "Guidebook of Corporate Action Guidelines" that it will comply with laws and regulations both in letter and spirit, and that it will respect human rights. The diversity, personality, and character of employees must be respected, and discriminatory words and actions, harassment, and slander are strictly prohibited.

A "Hotto" line is in place ready for consultation with employees concerning human rights.

## Human rights workshop

We make continuing efforts to cultivate awareness of the importance of respecting human rights. As part of such efforts in fiscal 2012, we included lectures on human rights in our training sessions for each job ladder (for 7 ladders, a total of 161 participants from freshmen to managers).

## Global Seminar (April, October, January) NEW

To help our employees understand necessary abilities to play active roles overseas, we hold Global Seminar sessions, in which some of the executives/employees who have experienced working overseas give lectures. By communicating what they should keep in mind and learn in order to become a global player, the Global Seminar aims to encourage each employee to voluntarily improve his/her abilities to address global issues.



Seminar session



Seminar room

## Efforts to reduce total working hours

Dialogue and cooperation has been promoted between labor and management to create a working environment that is friendlier to workers and helps enrich their lives.

In labor-management negotiations conducted in fiscal 2012, it was agreed to further reduce total working hours so that each individual can lead a fulfilling life while ensuring a worksite environment where diverse people can work in diverse ways.

## OT (Overseas Trainee) program **NEW**

Young employees interested in global operations are dispatched to overseas subsidiaries to experience local operations for six months through OJT. This program provides them with opportunities to learn how to work overseas and deal with global issues.

## Skills training for foreign interns and trainees

As part of our diversity-oriented human resources education, we accept technical intern trainee from Thailand, China and Indonesia.

For about a year, they work mainly at forging lines to acquire various skills. The training aims to develop personnel who will disseminate what they have learned in the training and play important roles at their own workplaces after returning to their countries. The interns' diligence greatly inspires our Japanese employees, helping raise their motivation to further improve their skills.



## Labor data

### Labor composition

Fiscal year	2008	2009	2010	2011	2012
Total workers (persons)	2,331	2,330	2,360	2,367	2,369
Managers (persons)	253	263	269	268	286
Male (persons)	2,227	2,221	2,244	2,243	2,236
Female (persons)	104	109	116	124	133
Foreign workers (female) (persons)	9(3)	9(3)	9(3)	10(3)	10(3)
Average age (years)	39.4	39.5	39.7	39.9	39.8
Average service (years)	19.8	20.0	20.1	20.3	20.1
Turnover rate (%)	0.8	0.3	0.3	0.8	0.4
Voluntary resignation for personal reason (persons)	17	10	8	10	12
New graduates employed (female) (persons)	59(0)	78(5)	53(3)	61(5)	66(5)

### Users of the Nice Family System

Fiscal year	2008	2009	2010	2011	2012
Child care leave (male) (persons)	8	11	4(1)	5	9
Shorter work hours (male) (persons)	7	6	10(1)	5	4

Number of persons who started using the system in each year

### Registrants to the Nice Senior System

Fiscal year	2008	2009	2010	2011	2012
Nice Seniors (persons)	69	55	51	49	47

Those who are re-employed between the ages of 60 and 64 (as of the end of each fiscal year)

### Employment of persons with disabilities

Fiscal year	2008	2009	2010	2011	2012
Employees with disabilities (persons)	29	34	35	40	50
Employment rate (%)	1.5	1.8	1.6	1.8	2.1
Achievement status of the legal employment rate (%)	85.3	100	92.1	100	100

The employment rate decreased in fiscal 2010 because the redemption rate was lowered by 10%.

### Usage rate of annual paid vacations

Fiscal year	2008	2009	2010	2011	2012
Usage rate (%)	69.0	54.0	46.0	48.5	48.8

Usage rate against the standard 20 days granted

### Changes in total working hours (hours worked per person per year)

Fiscal year	2008	2009	2010	2011	2012
Hours	2,190	1,973	1,948	2,124	2,145

## Basic policy

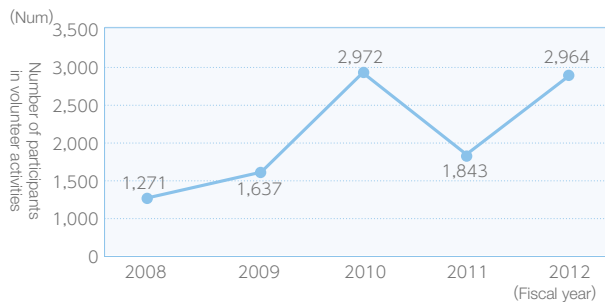
### Social contribution policy

Aiming to pursue harmonious coexistence and co-prosperity, we promote community-oriented social activities. For this purpose, we have set the four keywords of “Clean,” “Green,” “Creative,” and “Volunteer” as our focuses for social contribution.

## Promotion system

The Volunteer Center, placed in the General Affairs Division, provides information and promotes educational activities, with the aim of encouraging corporate/individual volunteer activities.

### Number of participants in volunteer activities



In fiscal 2010, single-year charity events were held.

## “One-coin” donation

In response to calls by employees who are interested in volunteer activities but have no time or chance to join them, we introduced a “one-coin” donation program, which enables employees to participate in activities that benefit society voluntarily and continuously.

Participants in the “one-coin” donation program can contribute one or more shares (¥100 a share), which are collected from the payroll, to the Aichi Steel Volunteer Fund, from which donations are made to organizations that we support.

A total of 370 directors and employees who supported the program’s purpose have participated in this donation program (as of March 31, 2013).

## Support for earthquake-hit areas by employees

As part of our volunteer activities, we participate in the Toyota Group’s volunteer program to support the recovery of quake-affected areas. Our employees visit the areas hit by the Great East Japan Earthquake to ascertain local needs, and conduct continuous activities to support their recovery.



## Clean

### Nearby roads clean-up campaign

The “Nearby roads clean-up campaign,” a social contribution activity to clean neighborhoods, is held every two months. In fiscal 2012, the campaign was conducted seven times. A total of 432 people from every worksite and in-plant business operators participated in the cleaning.



**Clean Aichi Day**

In line with the annual Aichi Steel Group CSR Enhancement Month in October, we conducted the “Clean Aichi Day” program, in which a total of 1,034 people, including employees from our subsidiaries in Japan and abroad, cleaned the neighborhoods of their operation bases.



Headquarters neighborhood



Tokyo Branch



Osaka Branch



Fukuoka Sales Office



Higashiura Plant



AICHI TECHNO METAL FUKAUMI COMPANY



Aichi Steel Logistics Co., Ltd.



AFC



AIT



AFI

## Green

### ■ Planting flowers in front of Meitetsu Shurakuen Station

In June and November every year, students of the Aichi Steel Technical Training Institute plant flowers in front of Meitetsu Shurakuen Station, the closest station to our offices.

In addition to our voluntary clean-up activities carried out in the neighborhoods of our worksites, flowers of the season help local people feel refreshed and relaxed.



### ■ “Lesson about Iron” held in quake-hit areas NEW

As part of our initiatives to support the areas affected by the Great East Japan Earthquake, we held “Lesson about Iron” workshops in Ishinomaki (Miyagi, November) and Kamaishi (Iwate, January) to provide local children with an opportunity to find pleasure in “monozukuri” (manufacturing). A total of 116 children participated in the workshops.



Workshop in Ishinomaki

## Creative

### ■ “Lesson about Iron”

In 2010, we launched a project to visit local schools to give a “lesson about iron” to children, marking the 70th anniversary of our founding. In FY 2012, the lesson was provided to all the elementary schools (33 classes of 12 schools) in Tokai City, Aichi Prefecture. (Sep./Jan.)

The “lesson about iron” given to fifth graders provided local children with an opportunity to learn about the local industry of Tokai, a city of iron, and to find pleasure in “monozukuri” (manufacturing) through our lessons.



### ■ Kids Design Award NEW

The “Lesson about Iron,” a workshop program we have continuously promoted as part of our social contribution initiatives, received the Kids Design Award from the NPO Kids Design Association.



\*We conducted a “lesson about iron” in cooperation with Aichi University of Education, Department of Technology Education (Prof. Hideki Shimizu); Tokai City Board of Education; and the Japan Iron and Steel Federation.

■ **Creating a forest with beetles** **NEW**

We planted acorns as part of our tree-planting and forest-creating efforts. Utilizing our company's green spaces, this activity aims to grow a forest in line with the initiative led by the Aichi Prefecture to create an environment in Chita Peninsula in which diverse organisms can live in harmony with each other.



Planting acorns

**Volunteer**

■ **Volunteer work to assist victims of the Great East Japan Earthquake**

At the request of Kyohokai, an association consisting of suppliers of the Toyota Group, Toyota Group companies individually collected articles that could be easily converted into cash as a volunteer activity to assist victims of the Great East Japan Earthquake. The collected articles, including disused cellular phones and spoiled postcards, will be converted into money to be donated to disaster areas.

From the Aichi Steel Group, 70 employees worked together and collected 44 disused cellular phones, 150 spoiled postcards, postage stamps worth ¥1,840, prepaid phone cards worth ¥13,500, and Bellmarks worth 1,500 points.



Articles collected from employees

■ **Activities of the Aichi Steel Volunteer Fund**

In fiscal 2012, the Aichi Steel Volunteer Fund established in 1993 donated charity gifts worth about 267.9 million yen, including those contributed through our Matching Gifts Program, under which we donate an amount equal to the amount already collected for the Volunteer Fund.

**Charity Gifts and Donation Organizations (Fiscal 2012)**

Organization	Charity gifts
"Oumei" four performance groups	Video camera, video editing equipment
Tokai Social Welfare Council (Volunteer Center)	Barrier-free slope
"Satsuki" Social Welfare Organization	AED, play equipment
"Akatsuki Gakuen" Children's Foster Home	Home electric appliances (5 units)
Kyokunan Basketball School	Sport bibs
Chita Social Welfare Organization	Electric generator, workbench, video camera
"Kusunoki" Workshop for the Handicapped	Containers for products, clothes
Japan Blind Tennis Federation	Tennis balls for blind tennis
NPO "Daikon-no-Hana"	Filing cabinet
Welfare and rescue volunteer "Kodama"	Electric equipment, uniforms
Karate club	Kick mitts
Elementary schools in Kamaishi (2 schools)	Educational equipment
Junior high schools in Kamaishi (2 schools)	Educational equipment
Kamaishi Social Welfare Council	Bibs, information board

**Ongoing volunteer activities by Aichi Steel**

- Support for Nagoya Philharmonic Orchestra welfare concert (Oct.)
- Support for the Japan Blind Tennis Tournament (Nov.)
- Support for the Tokai City Marathon (Dec.)
- Support for the Tokai Junior School Indoor Tennis Tournament (Feb.)

Aichi Steel Gymnasium ASCOM: Always open for local residents  
 Kariya Plant made open for community events  
 Kariya Daimyo Procession, Float Festival


**Community Meeting**

A community meeting is held every year in Tokai and Kariya cities (in April and September, respectively), to promote exchanges with residents of the local communities.



## Basic approach

We view environmental preservation activities as one of the top priority issues in corporate management. The Aichi Steel Environmental Charter was developed in June 1996 to clarify our sincere approach in environmental efforts. The Behavior Guidelines on Environmental Issues (current Environmental Action Plan) was established in June 1993, and we continuously and actively aim to achieve our goals.

 Please refer to our Website

[http://www.aichi-steel.co.jp/ENGLISH/com\\_info/envi.html](http://www.aichi-steel.co.jp/ENGLISH/com_info/envi.html)

## Environmental Guidelines

To promote its environmental management activities, Aichi Steel has set up the Environmental Management Rules. These Rules provide for matters concerning: 1) systems to promote environmental management, 2) compliance/management of the Basic Environment Act and other environment-related regulations, 3) advance assessments of the environmental impacts of products, raw materials, secondary materials and equipment, and 4) support and cooperation for environmental protection in society and communities.

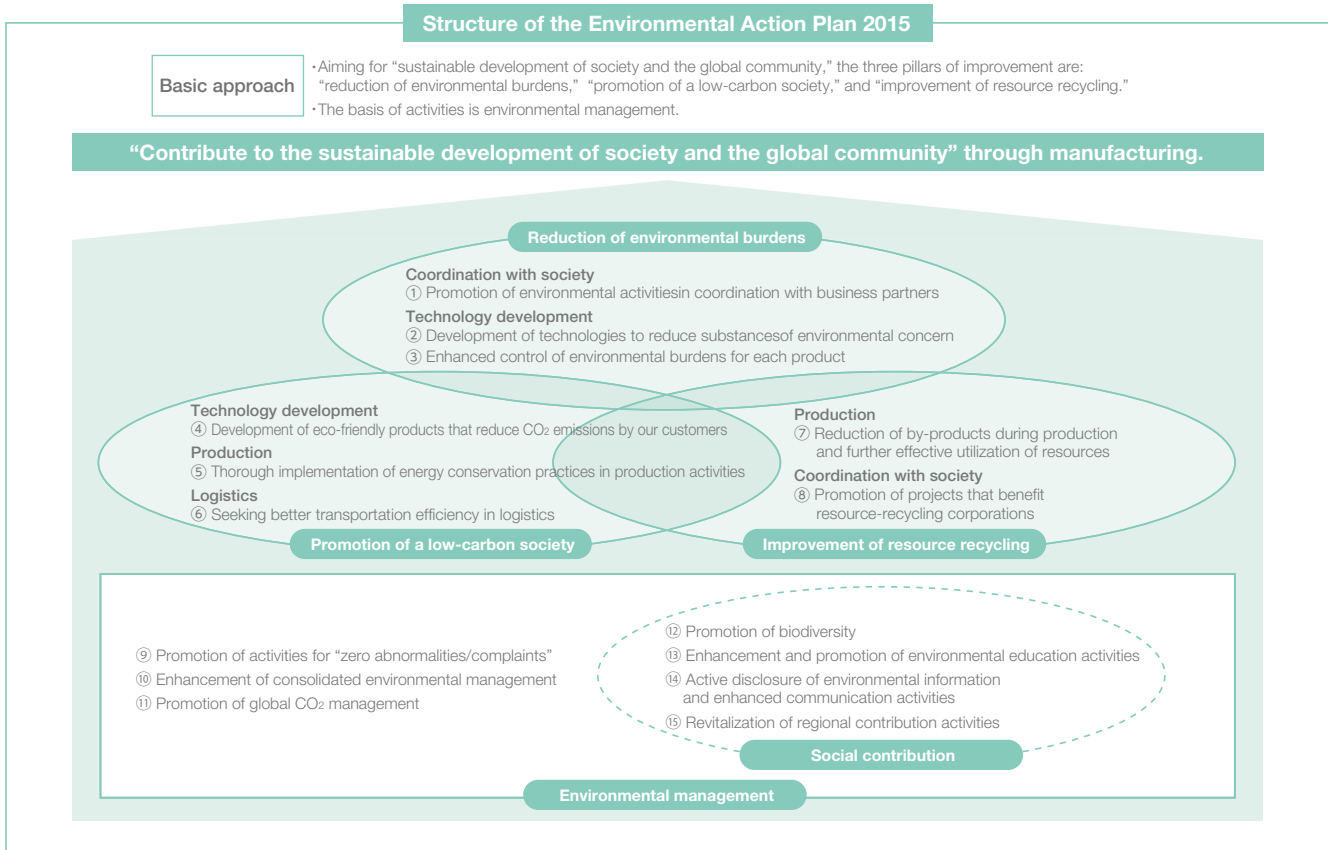
## Environmental Action Plan 2015

The Environmental Action Plan 2015, our plan highlighting our environmental efforts from FY2011 to 2015 was established in March 2011, with the basic philosophy “to contribute to the sustainable development of society and the global community” through manufacturing.

To this end, placing “environmental management” as the basis of all environmental activities, we promote continuous social contributions and enhance management from a global viewpoint involving consolidated subsidiaries.

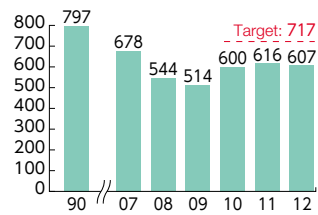
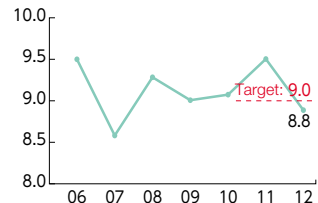

Specifically, the three pillars of implementation will be “reduction of environmental burdens,” “promotion of a low-carbon society,” and “improvement of resource recycling,” and our activities will be conducted from many different directions, including production, technology development, coordination with society, and logistics.

## Environmental Action Plan 2015





## Environmental Action Plan 2015 – Action Items and Results

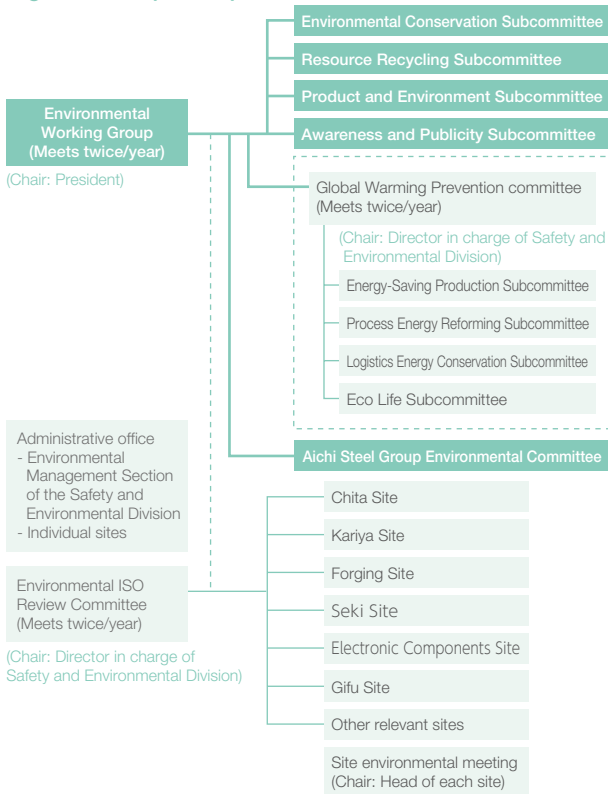
Theme	Action item	Target(s)	Major efforts	Results	Results		
Three Pillars	Reduction of environmental burdens	① Promotion of environmental activities in coordination with business partners	-	• Promote and adopt proposals for green purchasing. (Promotion and adoption of CO <sub>2</sub> reduction/3R proposals)	• 3R + CO <sub>2</sub> reduction activities were implemented intensively. (Promoting roll recycling, increasing biodiesel suppliers) • 15 proposals/month	○	
		② Development of technologies to reduce substances of environmental concern		• Promote environment-related themes in the medium-term plan for engineering departments.	• Follow-up actions were taken for the development of technologies to reduce substances of environmental concern.	○	
		③ Enhanced control of environmental burdens for each product		• At renewal of the procurement system, add a checking function when purchasing.	• In renewal of the procurement system, a function was added for the safety/environment check of substances of environmental concern. (Operation start scheduled in autumn 2013)	○	
		④ Development of eco-friendly products that reduce CO <sub>2</sub> emissions by our customers		• At DR, make an in-house database for simplified LCA operation data.	• Verification of effects using the cost visualization system was continued.	○	
	Promotion of a low-carbon society	⑤ Thorough implementation of energy conservation practices in production activities	-	• Promote emissions reduction through Z heat efficiency improvement activity. • Consider shortening the payout period of the matters for CO <sub>2</sub> reduction. • Reduce standby energy consumption.	1,000 t-CO <sub>2</sub> /year CO <sub>2</sub> emissions ↓ Good 	○	
		⑥ Seeking better transportation efficiency in logistics		6% reduction of emission volume per transportation unit in 2013 from the 2006 level	• Improve loading ratio for shipment of forgings. • Promote streamlining of operations through the transportation distance-based stratified control. • Consider a modal shift to balance cost reduction and CO <sub>2</sub> reduction.	kg-CO <sub>2</sub> /t Unit CO <sub>2</sub> emissions in logistics ↓ Good 	○
	Improvement of resource recycling	⑦ Reduction of by-products during production and further effective utilization of resources	Landfill volume in correspondence with fluorine-containing slag regulations in 2013: Zero	• Promote recycling of spilled slag. • Find new contractors to commission disposal of hard-to-sort bricks, etc. • Promote recycling of acid sludge.	1,000 t/year Landfill volume in correspondence with fluorine-containing slag regulations ↓ Good 	○	
		⑧ Promotion of projects that benefit resource-recycling corporations	-	• Develop technologies to collect valuable metals (dust, pickled sludge). • Improve the reuse rate of reduced slag.			
	Environmental management	Social contribution	⑨ Promotion of activities for "zero abnormalities/complaints" • Zero abnormalities/complaints	Abnormalities/complaints: 0/year	• Implement strict management to achieve 80% or below of regulation values set by environment-related laws. • Promote preventive activities (enhance GK).	• Zero abnormalities/complaints • "Environment Close Call" was adopted.	○
			⑩ Enhancement of consolidated environmental management	-	• Promote on-site monitoring through Brush-Up Seminars. • Require non-manufacturing consolidated subsidiaries to report on their environmental activities.	• Mutual brush-up seminars were held and standardized for domestic manufacturing companies.	○
			⑪ Promotion of global CO <sub>2</sub> management	-	• Require all group subsidiaries to report their energy consumption volume.	• Rules were established for operations other than overseas Group companies' offices.	△*1
		Social contribution	⑫ Promotion of biodiversity	-	• Participate in NPO-led forest preservation activities and Tokai City forestation project.	• Participated in NPO-led forest preservation activities. (June, Sep.)	○
			⑬ Enhancement and promotion of environmental education activities	-	• Enhance classified education programs. • Improve environmental awareness using handbooks, etc., and select education themes.	• Classified education continued and internal auditors increased. • Environmental seminars were held. (130 participants)	○
			⑭ Active disclosure of environmental information and enhanced communication activities	-	• Demonstrate environmental contributions through participation in Messe Nagoya, Industrial Festival, etc. • Make the Aichi Steel Report available on the Web. • Hold media meetings, Head Office area meetings, and Kariya regional meetings.	• Participated in Messe Nagoya 2012. (Nov.) • English version of Aichi Steel Report: issued in Nov. (Disclosed publicly in PDF (on the web))	○
			⑮ Revitalization of regional contribution activities	-	• Increase participants in Clean Aichi Day. • Demonstrate environmental activities through in-house publications and News a la carte.	• Neighborhood cleaning campaign • Environment-related information was provided through in-house publications and News a la carte.	○

\*1: Some overseas offices could not measure their electricity consumption. We will consider other measures.

## System for environmental management promotion

Our environmental management structure has been developed to carry out environmental preservation activities based on the Aichi Steel Environmental Charter. The Environmental Working Group strongly promotes all environmental preservation activities in an organized and systematic manner.

### Environmental management promotion organizations (FY2012)



## Certification status of Environmental ISO

We aim for 100% ISO 14001 certification for consolidated subsidiaries with manufacturing sites.

The Philippine AFC acquired the certification in January 2012. With this, all target subsidiaries have now been certified.

### ISO certification status

Region	Subsidiary	Certification Date
Japan	Aichi Steel	January 1997
	Aichi Ceratec	March 2003
	Aiko	January 2004
	Omi Mining	October 2004
	Aiko Service	January 2005
	Aichi Steel Logistics	March 2005
	Asdex	May 2007
Overseas	Aichi Techno Metal Fukaumi	December 2010
	AFU	April 2003
	AIT	November 2006
	SAFC	December 2009
	AFI	May 2010
	AFC	January 2012

## Environmental conservation costs

Unit: Million yen

Classification	Major efforts and their effects	Cost amount
Environmental conservation costs necessary for controlling environmental burdens arising within our operational areas from production or service activities (Operational area costs)	Power for dust collectors/repair costs for dust collectors, wastewater treatment costs, investment and maintenance of energy-saving facilities, costs of disposal and recycling of industrial waste and general waste discharged from business operations	4,117
Costs necessary for controlling environmental burdens arising upstream or downstream of our operational areas in connection with production or service activities (Upstream/downstream costs)	Simplified packaging (reducing packing materials and reducing packing time)	0
Environmental conservation costs arising from our administrative activities (Administrative costs)	Costs for employee environmental education, and costs necessary to acquire and maintain ISO certification Labor costs and related costs of environmental action organizations	353
Environmental conservation costs arising from our R&D activities (R&D costs)	Research costs for environmental conservation	15
Environmental conservation costs arising from our social-relation activities (Social-relation costs)	Site greening and industrial road cleaning activities	38
		Total 4,523

## Environmental education

Environmental activities are considered crucial for corporate management and CSR efforts. Aichi Steel actively provides educational programs to help its members enhance their environmental knowledge.

### Environmental training

- Newly Promoted Team Leaders (February: 28 participants)
- For freshmen in administrative departments(April: 19 participants)
- Assistant Managers(June: 21 participants)
- Newly-promoted Foremen(June: 21 participants)

### Educating internal environmental auditors

FY2012 saw the certification of 27 new internal environmental auditors who support the efficient operation of the environmental management system, making a total of 210. We also conduct internal environmental auditor education for those scheduled for overseas dispatch on an as-needed basis.

## Audit results

The results of the FY2011 internal audit and the surveillance audit of the environmental management system were as follows. There were no material non-conformances.

### Results of internal audits

Classification	2008	2009	2010	2011	2012
Material non-conformance (incidents)	0	0	0	0	0
Minor non-conformance (incidents/dept)	0.7	0.7	0.63	0.47	0.38

### Results of audits by external auditors

Classification	2008	2009	2010	2011	2012
Minor non-conformance (incidents)	1	1	0	1	1
Opportunities for improvement and incidents of other classification (incidents/ dept)	20 (1.0)	31 (0.8)	14 (0.58)	23 (1.10)	32 (0.8)

## Forest of Toyota Development Volunteers

The "Forest of Toyota Development Volunteers," an event for forestation experience hosted by the All-Toyota Social Contribution Activities Liaison Committee, was held in Toyota City (Aichi). 15 members of the Aichi Steel Group participated in the event and experienced forest thinning(May). Through efforts to improve the environment and preserve the biodiversity of forests and satoyama (managed woodlands near human settlements), we will continue to help improve our nearby forests and cultivate employees' eco-conscious minds.



## Forest-Developing Volunteers

In collaboration with the NPO "Green Challenger," 35 Aichi Steel members participated in Forest-Developing Volunteers, an event held continuously since 2006 in Kiso Village (Nagano Prefecture). (June, October)



## FY2013 targets and results

Based on the Environmental Action Plan 2015, we are currently striving for 10% reduction compared to 1990 levels, a figure higher than the target of the Kyoto Protocol.

In fiscal 2012, despite the improvement efforts at each plant, emissions increased due to changes in the environment and fluctuations in production volume.

Item	FY2012 target	Result
CO <sub>2</sub> emissions	600,000 t-CO <sub>2</sub> /year	607,000 t-CO <sub>2</sub> /year

## Introducing BDF (biodiesel fuel)<sup>\*1</sup>

We recycle used cooking oil generated at the Company canteens and welfare facilities as biodiesel fuel. All the recycled biodiesel fuel is used for industrial vehicles at the Raw Material Supplies Section of the Chita Plant.

In fiscal 2012, a total of 3,775 liters of oil was recycled and used as biodiesel fuel. We will increase the number of vehicles using eco-fuel.

\*1 BDF: BDF is a plant-based fuel and is said to be carbon-neutral (CO<sub>2</sub> generated from burned plant-based fuel is re-absorbed by the plant).



## Heat treatment furnace for forgings renewed

The Forging Plant plans to renew old facilities in order. In fiscal 2012, in line with the Company-wide initiative to reform production process energy, the heat treatment furnace for forgings was renewed. The old heat treatment furnace, which was introduced in 1978, was low in thermal efficiency because it used heavy oil as fuel, and required a lot of labor and skills of the operator for operation. Heat treatment is an indispensable, important process to ensure strength of forgings, and the core of this process is the manufacturing conditions. The renewed furnace uses higher thermal energy-efficient LNG as fuel instead of heavy oil, while maintaining the optimal heat quantity applied to forgings, which is the most important manufacturing condition, achieving a reduction in fuel consumption. By reducing heat release loss in emissions and the heat treatment furnace itself while maximizing heat efficiency, this new furnace is expected to make some contribution to the environment.



Newly set heat treatment furnace (NH-12 Furnace)

## Improving logistics together with customers

While we have been actively engaging in improving efficiency of both intra-plant and inter-plant in-process logistics inside the Company, we are now also promoting the improvement of logistics involving customers from a wider perspective.

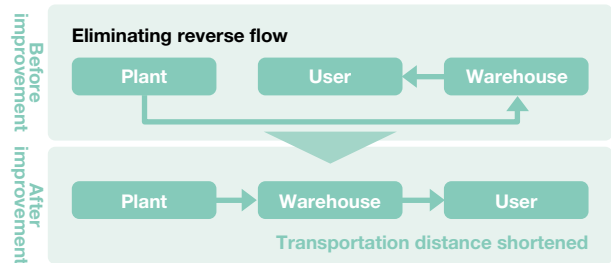
At present, steel materials, which are the heaviest items of our products and are transported for long distances by large trucks or trailers, are usually delivered to warehouses of trading firms or wholesalers, except for some limited cases in which they are delivered directly to manufacturers. In most cases, they are carried to the subsequent customers from such warehouses.

The Production Control Div., the department in charge of logistics of the Company, examined in cooperation with the sales segment the transportation routes for steel materials, seeking higher efficiency in delivery to the users that actually use them.

In examining the transportation routes, some cases were found to involve a reverse flow, in which the steel materials delivered to warehouses returned in the direction toward Aichi Steel.

We therefore consulted with the relevant business partners and requested them to consider changing the delivery route so as to shorten the delivery time. Consequently, we were able to obtain agreement regarding two customers.

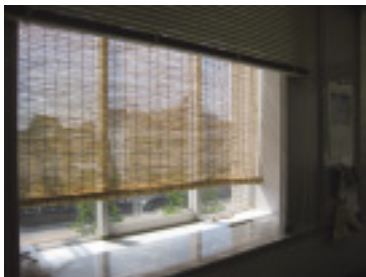
Since the annual transportation volume of steel is large, this enabled an emissions reduction of approx. 134 t-CO<sub>2</sub>/year for the entire transportation distance.



## Energy conservation in offices

We have promoted energy conservation activities in our offices since 2008. In fiscal 2012, continuing from the previous year, the following activities were conducted.

- ① Summer/winter measures to reduce electricity consumption
  - Installing heat-shield films + setting bamboo blinds for windows
  - Replacing air-conditioners with energy-saving types (2 units)
  - Putting heat-shield sheets on the roof of the general forging office building:
  - Promoting Cool Biz. (Temperature set to 28°C)
  - Promoting Warm Biz. (Temperature set 20°C → 19°C)
  - Replacing lighting with LEDs or other energy-saving lights
  - Thinning of lighting:
  - Promoting eco-settings for PCs.
- ② Making electricity use visible
  - Separately measuring electricity use of experiment facilities and offices
  - Encouraging energy saving using power-saving eco-timers
- ③ Other
  - Joint energy-conservation patrol by all members of the eco-life promoting committee (July, Feb.)
  - Proposing Mottainai Card (February)
  - In-house publications for Environment Month (June) and Energy Conservation Month (February)
  - Introducing heat-pump vending machines:



Bamboo blind

## Encouraging Cool Biz/Warm Biz

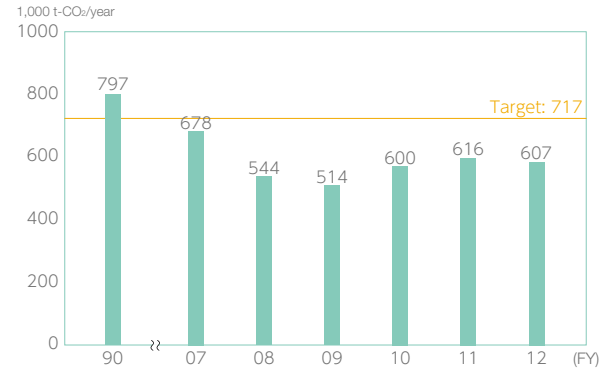
As an enhanced energy conservation measure after the Great East Japan Earthquake, Aichi Steel encouraged enhanced implementation of the Cool Biz/Warm Biz campaigns. The period for Cool Biz was extended to six months from May to October, while the Warm Biz was encouraged for the four months from December to March.

Under the Warm Biz campaign, heater temperature settings for rooms have been lowered from 20°C to 19°C.

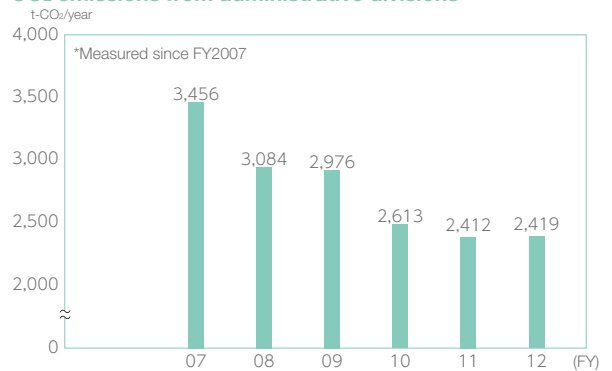


The Cool Biz sign

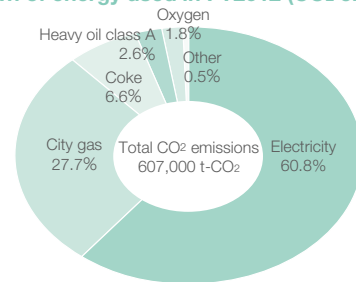
## CO<sub>2</sub> emissions



## CO<sub>2</sub> emissions from administrative divisions



## Breakdown of energy used in FY2012 (CO<sub>2</sub> emissions)



## CO<sub>2</sub> balance

FY2011 emissions	616,000 t-CO <sub>2</sub> /year
FY2012 emissions	607,000 t-CO <sub>2</sub> /year
Difference	▲ 9,000 t-CO <sub>2</sub> /year

## Breakdown

Decrease due to less production	▲ 17,000 t-CO <sub>2</sub> /year
Improvements (A) – Aggravations (B)	8,000 t-CO <sub>2</sub> /year
Total	▲ 9,000 t-CO <sub>2</sub> /year

## Improvements (A)

① Improved energy efficiency of electric furnaces	▲ 4,000 t-CO <sub>2</sub> /year
② Energy conservation of hot rolling furnaces	▲ 7,000 t-CO <sub>2</sub> /year
③ Energy conservation in forging process	▲ 2,000 t-CO <sub>2</sub> /year
④ Other energy conservation	▲ 4,000 t-CO <sub>2</sub> /year
Total	▲ 17,000 t-CO <sub>2</sub> /year

## Aggravating factors (B)

① Change in steel manufacturing process	25,000 t-CO <sub>2</sub> /year
Total	25,000 t-CO <sub>2</sub> /year

# 3R (Resource Recycling)

## Basic approach

As a law-abiding member of society, the Company actively promotes 3R activities (reduce, reuse, recycle) to make efficient use of resources, with the aim of achieving “zero emissions,” or reducing the waste generated from the Company as close as possible to zero.

## FY2012 targets and results

The volume of direct slag landfill increased due to the revision of the Aichi Prefecture guidelines in fiscal 2008. However, by finding uses for recycled slag, we were able to reduce the volume of direct landfill and achieve the target.

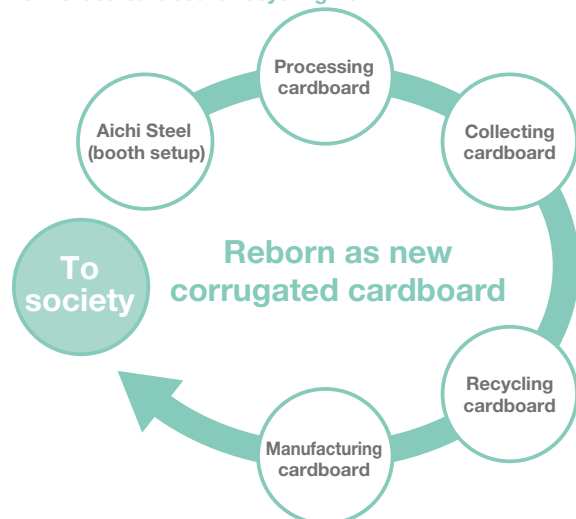
For indirect landfills, we will promote strict sorting of waste before dumping while further developing recycling technologies, so as to make effective use of resources.

Item	FY2012 target	Result
Direct landfill	11,325 t/year	7,841 t/year
Indirect landfill	2,363 t/year	3,445 t/year

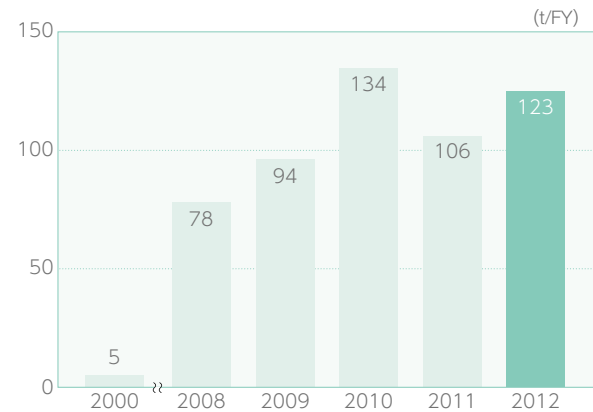
## Setting eco-friendly booth in Messe Nagoya 2012

Aichi Steel participated in Messe Nagoya 2012, an event started in 2006 to communicate Aichi Expo’s philosophy. Continuing from the previous year, we set up a display booth made entirely of recyclable corrugated cardboard to demonstrate our environment-friendly manufacturing.

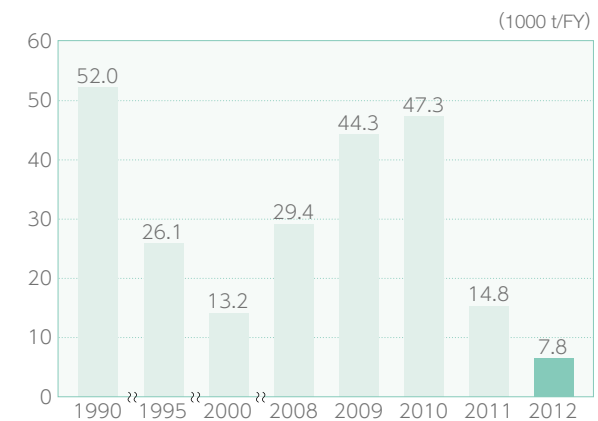
## Reinforced cardboard recycling flow



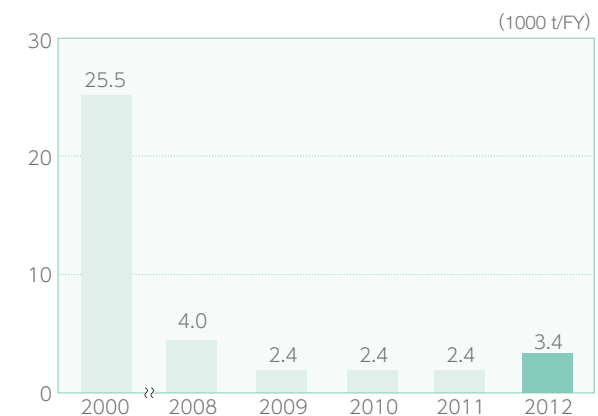
## Volume of recycled nickel

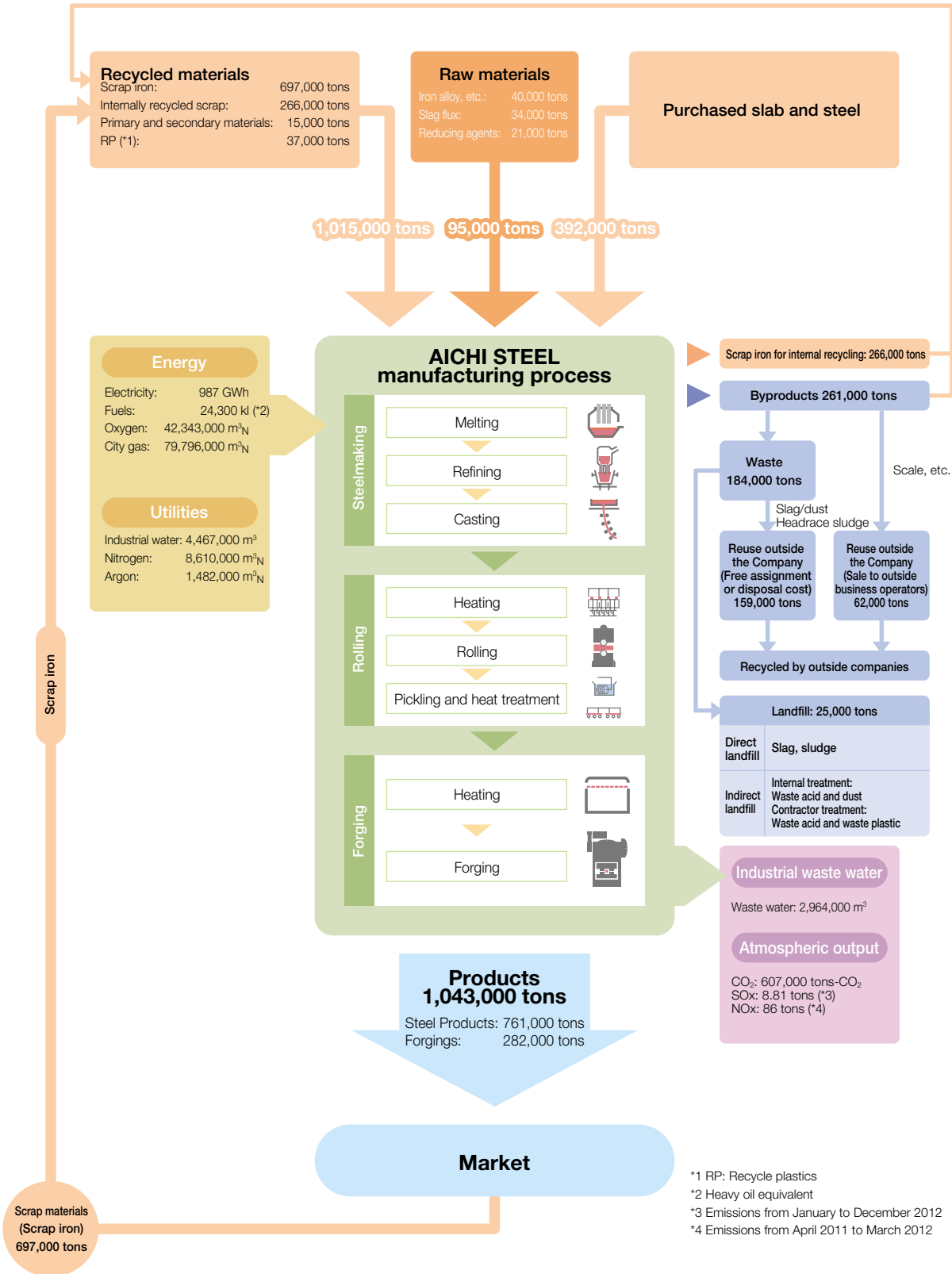


## Volume of direct landfilled waste



## Volume of indirect landfilled waste





\*1 RP: Recycle plastics  
 \*2 Heavy oil equivalent  
 \*3 Emissions from January to December 2012  
 \*4 Emissions from April 2011 to March 2012

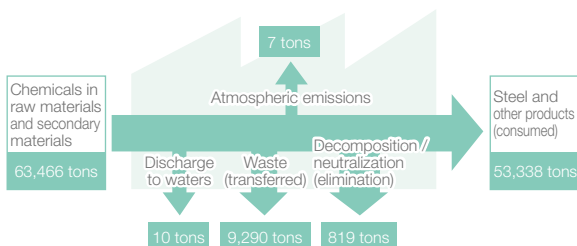
## PRTR Data

(Unit: tons)

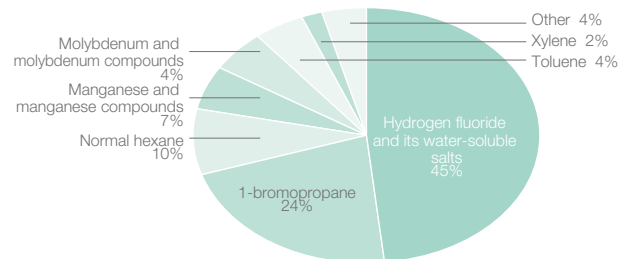
	Govt. Ordinance No.	Substance name	Amount handled	Discharged		Transferred
				Atmosphere	Water	Outside of premises (as waste, etc)
<b>Chita and Forging Plants</b>	1	Water-soluble zinc compound	1.7	-	0.140	0.460
	80	Xylene	3.0	0.410	-	-
	87	Chromium and trivalent chromium compounds	25000	0.110	0.006	2800.000
	132	Cobalt and cobalt compounds	150	-	-	3100.000
	243	Dioxins	24.00	24.000	-	-
	300	Toluene	4.9	1.300	-	-
	304	Lead	85	-	-	-
	305	Lead compounds	260	0.240	-	180.000
	308	Nickel	6100	-	-	-
	309	Nickel compounds	860	0.020	0.046	38.000
	374	Hydrogen fluoride and its water-soluble salts	7.5	0.001	7.300	0.210
	384	1-bromopropane	6.2	4.500	-	1.700
	405	Boron and boron compounds	76.0	-	0.078	16.000
	412	Manganese and manganese compounds	19000	0.410	0.430	6100.000
	453	Molybdenum and molybdenum compounds	10000	0.004	0.570	0.310
<b>Kariya Plant</b>	87	Chromium and trivalent chromium compounds	710	-	0.013	63.000
	309	Nickel compounds	350	-	0.012	34.000
	374	Hydrogen fluoride and its water-soluble salts	84	0.030	1.200	38.000
	453	Molybdenum and molybdenum compounds	13	-	0.270	2.200
<b>Seki Plant</b>	392	Normal hexane	1.9	1.900	-	-

Higashiura Plant, Gifu Plant: No regulated substances used  
 A hyphen (-) indicates a quantity of 0 (zero). The volumes were calculated according to the PRTR system.  
 Unit is tons/year (however, unit for Dioxins is mg-TEQ/year).

### Material balance of PRTR substances in the entire organization of the Company



### Breakdown of discharged PRTR substances



## PCB control

Based on the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, we keep a ledger of all transformers, condensers, waste oil, etc. that contain PCBs, and implement strict storage and control measures.



## Atmospheric Quality Data

### Chita and Forging Plants

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	130	90.6
		150	25.5
		180	58.0
	Heating furnace	130	65.4
		150	46.1
		170	55.8
		180	59.1
Soot	Boiler	0.15	0.001
		0.08	0.003
	Heating furnace	0.10	0.003
		0.20	0.003
		0.25	0.002
Electric furnace	0.30	0.005	
	0.05	0.001	
SOx	(Total limit)	0.08	0.003
		0.10	0.001
SOx	(Total limit)	34.35	3.65

### Kariya Plant

Substance	Facility	Limit	Actual level (max)
NOx	Heating furnace	130	54.0
		150	48.5
		170	65.1
		200	56.0
SOx	(Total limit)	11.622	4.941

### Higashiura Plant : No regulated facility

### Gifu Plant

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	150	88.0

### Seki Plant : No regulated facility

- The actual levels of NOx and soot indicate the maximum values actually measured for each regulated facility.
- Units used are as follows. NOx: ppm, soot: g/m<sup>3</sup>N, SOx: m<sup>3</sup>N/h (total volume control as stipulated by the Air Pollution Control Act)

## Water Quality Data

### Chita and Forging Plants

Item	Limit	Max.	Min.	Average
pH	5-9	7.7	6.5	6.9
COD	25(20)	8.2	3.8	5.5
SS	40(30)	5.0	Less than 0.1	1.0
Nitrogen	120(60)	3.1	1.4	2.1
Phosphorus	16(8)	0.4	Less than 0.1	0.10

### Kariya Plant

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.0	6.4	6.6
BOD	25(20)	3.7	0.8	2.1
SS	40(30)	10.5	Less than 0.1	4.3
Nitrogen	120(60)	5.9	1.2	3.0
Phosphorus	16(8)	1.0	Less than 0.1	0.12

### Higashiura Plant

Item	Limit	Max.	Min.	Average
pH	5.8~8.6	7.7	6.6	7.0
BOD	25(20)	3.1	1.6	2.3
SS	30(20)	3.0	Less than 0.1	1.2
Nitrogen	120(60)	4.8	0.6	2.1
Phosphorus	16(8)	0.6	Less than 0.1	0.27

### Gifu Plant

Item	Limit	Max.	Min.	Average
pH	5.8~8.6	7.6	6.3	6.8
BOD	30(20)	2.9	4.1	3.5
SS	60(50)	3.0	Less than 0.1	0.6
Nitrogen	120(60)	9.1	0.3	4.4
Phosphorus	16(8)	0.6	Less than 0.1	0.26

- Unit: mg/liter (except for pH)
- Levels of other regulated substances not shown in these tables were all below the regulation limits or below the minimum measurable amounts (or not detected at all).
- Figures in parentheses ( ) are daily averages.
- pH: Hydrogen-ion density
- COD: Chemical oxygen demand
- BOD: Biochemical oxygen demand
- SS: Suspended solids in water

## » First Step Toward 2020

The target year of the three-year medium-term business plan (mid-term plan) starting this fiscal year coincides with the target year of the 2015 Vision set in 2009.

Aichi steel Group, having overcome various difficulties following the Lehman shock, has worked hard to reduce costs, enhance sales performance, propose technologies and develop new products, with the aim of expanding our businesses.

Although positive signs are beginning to appear in Japanese industry partly due to changes in the economic environment that began in late 2012, concerns surrounding our Group, such as the rise in prices of purchased goods and an increase in energy costs due to the correction of the super-strong yen, and the impact of unstable fluctuations in raw materials prices, are likely to continue. Under these circumstances, we will strongly promote the ongoing "Project ZZ100" and other profit improvement activities for the future.

Meanwhile, this year we started drafting the 2020 Vision, positioning in this med-term plan years as the period for solidifying and reinforcing our foundation to achieve our Vision.

### <Approaches by Business Segment>

#### ■ Specialty steel, stainless steel

The No. 3 continuous casting machine completed in 2011, which is a main feature of our production process reform, came into full operation late last year. Its capabilities can be fully exercised from this year, and are expected to contribute to the improved quality, cost and environment of our future businesses.

We will further promote production process reform (4S reengineering) to enhance our competitiveness in terms of quality, production, cost and the environment. At the same time, through global-scale expansion of steel materials operations, we will supply highly competitive, high-quality steel to our overseas forging bases and customers.

Moreover, we are striving to become a market leader by launching new product series, including Japan's first thin stainless reformed bars, and to actively implement technical proposal-based sales promotion to explore new uses.

#### ■ Forgings

The correction of the super-strong yen that began at the end of last year has helped improve business performance in the automobile industry. Meanwhile, however, the globalization and localization of operations are likely to further accelerate throughout the Toyota Group.

We will make various efforts toward the 2015-2020 period, such as reinforcing the production capacity of AIT (Thailand), which introduced a forging facility last year, or enhancing other overseas forging subsidiaries, and establishing a system to ensure mutually complementary relationships with the forging plant in Japan positioned as the mother plant, to be prepared to respond to the globalization trend.

We will also enhance sales promotion activities, including exploring new customers, with a view to expanding the adoption of forged products in non-automobile fields in Japan.

#### ■ Electromagnetic components

In fiscal 2012, regarding the division of electromagnetic components, the Company made a decision to change its business model for sensors and magnets.

Taking full advantage of our DNA-based capabilities in device manufacturing, we will promote the sales expansion of sensor devices in the sensor field and magnetic powder in the magnet field, and commission the processing/manufacturing of components to manufacturers skilled in product development.

Meanwhile, since further increase is expected for HVs and PHVs, we will enhance the production capacity for cooling parts for inverters, an electronic component for HVs.

## » Summary

Regarding the consolidated fiscal year under review, the Japanese economy was at a standstill in the first half of the year for reasons including the impact of the yen's appreciation, soaring raw material/energy prices, and the risk of economic downturn overseas due to the resurgence of the European debt crisis. In the latter half of the year, however, signs of a partial economic upturn, such as the recovery of corporate business performance supported by earthquake reconstruction-related demand and improved consumer confidence in response to the correction of the strong yen and the rise in stock prices that occurred following the start of the new administration at the end of last year, are beginning to appear.

Aichi Steel Group's production and sales volumes of forgings increased from the previous year, supported by a steady demand for automobiles, while the volume of steel materials decreased due to a decrease in demand for fields other than automobiles, resulting in a decrease in total sales from the previous year, when sales were affected by the Great East Japan Earthquake and the floods in Thailand.

Under these circumstances, our Group continued support for processes from restoration to recovery from the earthquake while enhancing Business Continuity Management (BCM) as risk management against a large-scale natural disaster.

As a company-wide profit structure reform initiative, we have promoted the "ZZ100 Project" activities aiming at an annual 10 billion yen increase in profit by the end of fiscal 2014, by pursuing cost reduction mainly in procurement activities and minimization of resources, materials and energy.

These efforts resulted in consolidated net sales of 217,279 million yen, a 4.5% decrease from the previous fiscal year (227,478 million yen).

Despite the effects of decreased prices of raw materials and cost reductions, due to a decline in sales prices and a decrease in sales volume, the Aichi Steel Group posted an operating income of 7,332 million yen, a 13.3% decrease from the previous consolidated fiscal year (8,459 million yen). Ordinary income marked 7,929 million yen, about the same level as the previous fiscal year (7,925 million yen), partly due to reporting of the foreign exchange gain brought about by the impact of the weakening yen that started in the third quarter as non-operating income. Net income for this fiscal year was 4,899 million yen, a 15.4% increase from the previous fiscal year (4,247 million yen).

## » Operating Income and Net Income

Net sales for the consolidated fiscal year under review saw a 4.5% decrease from the previous fiscal year to 217,279 million yen. The cost of sales was 189,736 million yen and the cost-to-sales ratio was 87.3% (87.5% for the previous fiscal year), an increase over the previous fiscal year. Selling, general and administrative expenses totaled 20,211 million yen, accounting for 9.3% (8.8% for the previous fiscal year) of net sales.

As a result, operating income for the fiscal year under review was 7,332 million yen. Net income was 4,899 million yen, and return on equity (ROE) was 4.0%.

## » Sales by Business Segment

### ■ Specialty steel

Specialty steel is the mainstay product of the Aichi Steel Group. Due to decreased sales volume and decline in sales prices, net sales in this segment saw a 18.2% decrease to 104,224 million yen for this consolidated fiscal year (127,363 million yen for the previous year)

### ■ Forgings

Closed-die forgings for automobiles account for a major part of this segment. Due to the increased sales volume, net sales in this segment saw a 12.1% increase to 98,031 million yen for this consolidated fiscal year (87,424 million yen for the previous year)

### ■ Electromagnetic components

Aiming to turn this segment into the Company's core business in the future, Aichi Steel has been nurturing and promoting new industrial fields for its sensors and magnetic products. Due to an increase in the sales volume of electronic components and MAGFINE magnets, net sales in this segment saw a 23.7% increase to 11,242 million yen for this consolidated fiscal year (9,086 million yen for the previous year).

### ■ Other businesses

Aichi Steel's subsidiary companies provide various services and engage in software development, etc. Net sales in this segment saw a 4.9% increase to 3,783 million yen for this consolidated fiscal year (3,606 million yen for the previous year).

## » Financial Position

The Aichi Steel Group's financial position as of March 31, 2013 was as follows.

Total assets were 238,165 million yen, a decrease of 3,786 million yen from the end of the previous fiscal year.

Current assets decreased by 5,652 million yen from the previous fiscal year to 119,661 million yen.

Property, plant and equipment decreased by 1,910 million yen from the previous fiscal year. Investments in plants and equipment for this fiscal year totaled 10,273 million yen. Depreciation and amortization amounted to 12,840 million yen.

Current liabilities decreased by 17,092 million yen from the previous fiscal year. This is mainly due to a decrease of 14,556 million yen in the current portion of long-term debt.

Non-current liabilities increased by 6,981 million yen from the previous fiscal year, mainly due to an increase of 6,758 million yen in long-term debt.

Net assets as of March 31, 2013 totaled 132,436 million yen, an increase of 6,325 million yen from the end of the previous fiscal year. Net assets per share were 643.05 yen (614.86 yen in the previous fiscal year), and capital adequacy ratio was 53.0% (49.9% in the previous fiscal year).

## » Consolidated Cash Flows

Net cash provided by operating activities increased by 16,594 million yen from the previous year to 27,758 million yen. This resulted from a 9,946 million yen increase in net cash due to a decrease in notes and accounts receivable and a 3,067 million yen increase in net cash due to a decrease in inventory, despite a 1,813 million yen decrease in net cash due to a decrease in notes and accounts payable.

Net cash used in investment activities decreased by 2,200 million yen from the previous year to 11,867 million yen. This is mainly due to a decrease of 4,764 million yen in property, plant and equipment purchases despite an increase of 2,806 million yen due to the acquisition of investment securities.

Net cash used in financing activities was 10,199 million yen, a 9,458 million yen increase from the previous year. This was mainly due to an increase of 14,995 million yen in expenses for the

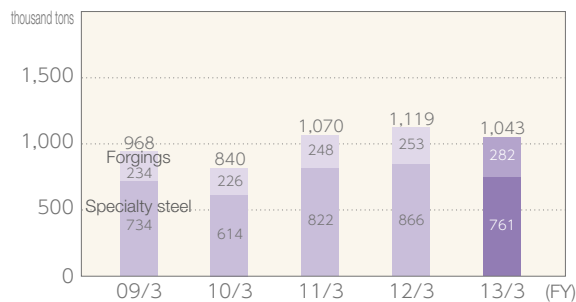
repayment of long-term debt despite an increase of 5,804 million yen from the previous year in proceeds from long-term debt.

Consequently, cash and cash equivalents as of March 31, 2013 amounted to 33,820 million yen, an increase of 6,642 million yen from the end of March 2012 (27,178 million yen).

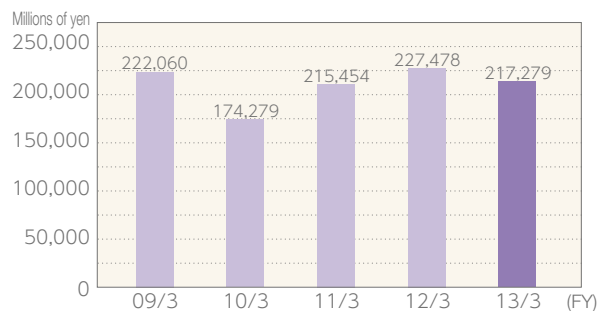
## » Available-for-Sale Securities

Of the total available-for-sale securities owned by the Company and its consolidated subsidiaries, the historical cost of those reported on the consolidated balance sheet at fair market value amounted to 2,635 million yen and the fair market value of these securities reported on the consolidated balance sheet was 10,880 million yen.

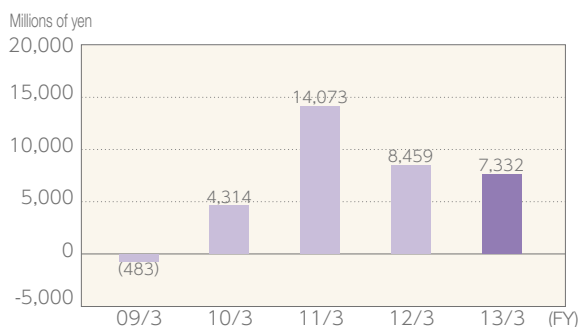
### ■ Sales volume (Non-consolidated basis)



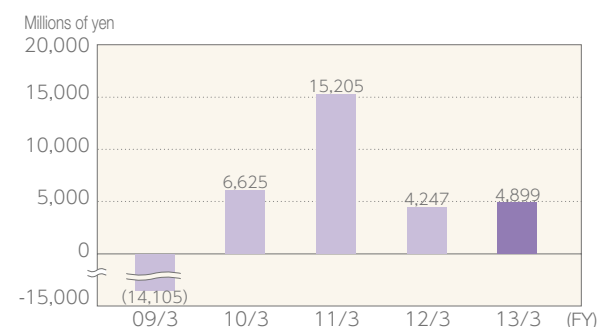
### ■ Net sales



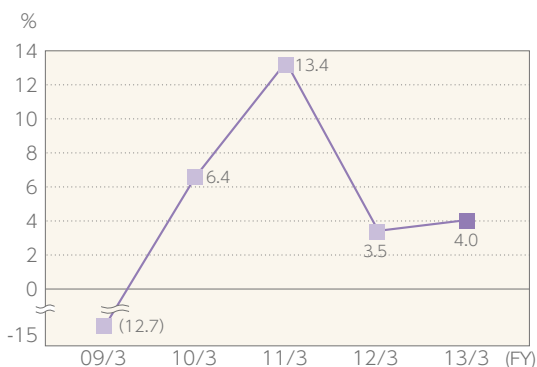
### ■ Operating income or operating loss



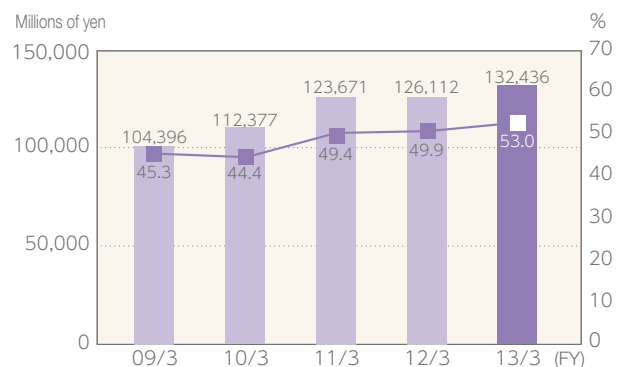
### ■ Net income or net loss



### ■ ROE



### ■ Net assets, capital adequacy ratio



## Five – year Summary (Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	2013	2012	2011	2010	2009	2013
Net sales	<b>¥217,279</b>	¥227,478	¥215,454	¥174,279	¥222,060	<b>\$2,172,794</b>
Operating income (loss)	<b>7,332</b>	8,459	14,073	4,314	(483)	<b>73,325</b>
Income (loss) before income taxes and minority interests	<b>7,769</b>	7,885	11,949	3,730	(2,618)	<b>77,689</b>
Net income (loss)	<b>4,899</b>	4,247	15,205	6,625	(14,105)	<b>48,986</b>
Property, plant and equipment	<b>83,618</b>	85,528	89,761	82,906	88,796	<b>836,181</b>
Total assets	<b>238,165</b>	241,952	240,218	242,350	220,017	<b>2,381,651</b>
Net assets	<b>132,436</b>	126,112	123,671	112,377	104,396	<b>1,324,362</b>
Per share data	Yen					U.S. Dollars
Net income (loss):						
Basic	<b>¥24.94</b>	¥21.62	¥77.49	¥33.77	¥(71.89)	<b>\$0.2</b>
Diluted	-	21.61	77.45	30.54	-	-
Number of employees (Persons)	<b>4,504</b>	4,406	4,351	4,282	4,467	

### Notes:

- Net sales are presented exclusive of consumption taxes.
- Scope of Consolidation:  
All subsidiaries are consolidated. The 19 subsidiaries are :  
Aiko Corporation, Aichi Ceratec Corporation, Omi Mining Co., Ltd., Aichi Techno Metal Fukuami Company, Aichi Steel Logistics Co., Ltd., Aichi Information System Company, Aiko Service Co., Ltd., Aichi Micro Intelligent Corporation, Asdex Corporation, Aichi Forging Company of Asia, Inc., Aichi Forge USA, Inc., Aichi Europe GmbH, Aichi International (Thailand) Co., LTD., Shanghai Aichi Forging Co., Ltd., PT. Aichi Forging Indonesia, Aichi Magfine Czech s.r.o., AMIT, Inc. , Aichi Korea Corporation and Aichi Magfine Technology(Pinghu)Co., Ltd.
- Net income per share is computed by dividing income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the respective years.
- Diluted net income per share for 2009 is not written despite existence of dilutive shares because basic net loss per share was reported.
- Diluted net income per share for 2013 is not written because no dilutive shares exist.
- Each fiscal year end date is March 31.
- The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥100=U.S.\$1.

## Five – year Summary (Non-Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	2013	2012	2011	2010	2009	2013
Net sales	<b>¥173,208</b>	¥190,096	¥179,183	¥141,093	¥181,317	<b>\$1,732,081</b>
Operating income (loss)	<b>4,600</b>	5,481	11,441	3,153	(3,209)	<b>45,996</b>
Income (loss) before income taxes	<b>4,810</b>	5,117	10,048	2,351	(3,877)	<b>48,097</b>
Net income (loss)	<b>3,841</b>	2,714	13,181	5,967	(14,573)	<b>38,409</b>
Property, plant and equipment	<b>67,983</b>	72,685	78,200	69,809	75,250	<b>679,831</b>
Total assets	<b>210,113</b>	217,473	218,974	222,210	200,006	<b>2,101,126</b>
Net assets	<b>117,248</b>	114,371	113,097	102,593	95,919	<b>1,172,485</b>
Per share data	Yen					U.S. Dollars
Net income (loss):						
Basic	<b>¥19.55</b>	¥13.82	¥67.17	¥30.41	¥(74.28)	<b>\$0.2</b>
Diluted	-	13.81	67.14	27.51	-	-
Cash dividends	<b>10.00</b>	10.00	10.00	8.50	7.50	<b>0.1</b>
Number of employees (Persons)	<b>2,369</b>	2,367	2,360	2,330	2,331	

### Notes:

- Net sales are presented exclusive of consumption taxes.
- Net income per share is computed by dividing income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the respective years.
- Diluted net income per share for 2009 is not written despite existence of dilutive shares because basic net loss per share was reported.
- Diluted net income per share for 2013 is not written because no dilutive shares exist.
- Each fiscal year end date is March 31.
- The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥100=U.S.\$1.

# Consolidated Balance Sheets

As at March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposit	¥33,909	¥27,244	\$339,086
Notes and accounts receivable	46,605	55,957	466,046
Short-term investments	185	185	1,850
Finished goods	6,755	8,626	67,549
Work in process	18,341	18,074	183,413
Raw materials and supplies	8,328	9,194	83,279
Deferred tax assets	3,849	3,852	38,494
Other assets	1,806	2,334	18,059
Less: allowance for doubtful receivables	(117)	(153)	(1,169)
<b>Total current assets</b>	<b>119,661</b>	<b>125,313</b>	<b>1,196,607</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Building and structures	62,482	60,587	624,821
Less: accumulated depreciation	(43,029)	(41,343)	(430,295)
Machinery, equipment and vehicles	264,411	259,757	2,644,112
Less: accumulated depreciation	(221,239)	(212,498)	(2,212,393)
Equipment	12,676	12,578	126,759
Less: accumulated depreciation	(11,249)	(11,006)	(112,488)
Land	14,261	14,307	142,612
Lease assets	324	316	3,245
Less: accumulated depreciation	(134)	(72)	(1,340)
Construction in progress	5,115	2,903	51,148
<b>Net property, plant and equipment</b>	<b>83,618</b>	<b>85,529</b>	<b>836,181</b>
<b>Intangible fixed assets:</b>			
Telephone rights	12	12	123
Other assets	222	203	2,218
<b>Total intangible fixed assets</b>	<b>234</b>	<b>215</b>	<b>2,341</b>
<b>Investments and other assets:</b>			
Investment securities	18,286	14,068	182,858
Long-term loans	702	818	7,019
Prepaid pension cost	14,335	14,309	143,347
Deferred tax assets	658	1,021	6,585
Other assets	760	731	7,603
Less: allowance for doubtful receivables	(89)	(52)	(890)
<b>Total investments and other assets</b>	<b>34,652</b>	<b>30,895</b>	<b>346,522</b>
<b>Total fixed assets</b>	<b>118,504</b>	<b>116,639</b>	<b>1,185,044</b>
<b>Total assets</b>	<b>¥238,165</b>	<b>¥241,952</b>	<b>\$2,381,651</b>

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes and accounts payable	¥27,323	¥28,581	\$273,228
Short-term borrowings	1,723	1,665	17,225
Current portion of long-term debt	980	15,536	9,801
Lease obligations	60	62	606
Income taxes payable	1,388	1,905	13,879
Accrued bonuses for directors and corporate auditors	177	203	1,773
Other liabilities	12,560	13,351	125,596
<b>Total current liabilities</b>	<b>44,211</b>	<b>61,303</b>	<b>442,108</b>
<b>Long-term liabilities:</b>			
Long-term debt	48,541	41,783	485,411
Lease obligations	140	195	1,401
Deferred tax liabilities	25	35	247
Employees' retirement benefit liabilities	10,987	10,566	109,873
Retirement benefit obligation for directors and corporate auditors	1,106	1,241	11,058
Asset retirement obligations	653	648	6,532
Other liabilities	66	69	659
<b>Total long-term liabilities</b>	<b>61,518</b>	<b>54,537</b>	<b>615,181</b>
<b>Total liabilities</b>	<b>105,729</b>	<b>115,840</b>	<b>1,057,289</b>
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
Common stock, no par value:			
Authorized: 476,000,000 shares;	25,017	25,017	250,168
Issued: 198,866,751 shares in 2013 and 2012			
Capital surplus	27,899	27,899	278,988
Retained earnings	70,987	68,053	709,875
Less, treasury stock, at cost	(1,462)	(1,462)	(14,621)
2,423,114 shares in 2013 and 2,422,154 shares in 2012			
<b>Total shareholders' equity</b>	<b>122,441</b>	<b>119,507</b>	<b>1,224,410</b>
<b>Valuation and translation adjustments</b>			
Net unrealized gains on available-for-sale securities, net of taxes	5,501	4,485	55,014
Foreign currency translation adjustments	(1,619)	(3,206)	(16,194)
<b>Total valuation and translation adjustments</b>	<b>3,882</b>	<b>1,279</b>	<b>38,820</b>
<b>Subscription rights to shares</b>	<b>169</b>	<b>177</b>	<b>1,688</b>
<b>Minority interests in subsidiaries</b>	<b>5,944</b>	<b>5,149</b>	<b>59,444</b>
<b>Total net assets</b>	<b>132,436</b>	<b>126,112</b>	<b>1,324,362</b>
<b>Total liabilities and net assets</b>	<b>¥238,165</b>	<b>¥241,952</b>	<b>\$2,381,651</b>

Note:

1. As the result of revisions to the Corporate Tax Act, the amount of PP&E acquired on or after April 1, 2012 is determined by the depreciation method based on the revised Corporate Tax Act, starting in this fiscal year. The influence of this change on financial statements is minimal.

# Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

## For the Years Ended March 31, 2013 and 2012(Consolidated Statements of Income)

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net sales	¥217,279	¥227,478	\$2,172,794
Cost of sales	189,735	198,960	1,897,356
<b>Gross profit</b>	<b>27,544</b>	<b>28,518</b>	<b>275,438</b>
<b>Selling, general and administrative expenses:</b>			
Freight expenses	2,911	3,044	29,107
Sales commission	834	1,024	8,346
Salaries and allowances and welfare expenses	6,978	7,069	69,777
Retirement benefit expenses	518	534	5,179
Provision of allowance for directors' bonuses	177	204	1,769
Provision of allowance for directors' retirement benefits	292	260	2,923
Provision of allowance for doubtful receivables	5	12	52
Depreciation	508	639	5,078
Research and development expenses	3,598	3,337	35,979
Others	4,391	3,936	43,903
Total selling, general and administrative expenses	20,212	20,059	202,113
<b>Operating income</b>	<b>7,332</b>	<b>8,459</b>	<b>73,325</b>
<b>Non-operating income:</b>			
Interest income	104	141	1,039
Dividend income	293	249	2,930
Gain on sales of goods	256	273	2,556
Foreign exchange gain	803	-	8,028
Others	360	184	3,602
Total non-operating income	1,816	960	18,155
<b>Non-operating expenses:</b>			
Interest expenses	618	623	6,176
Loss on disposal of property, plant and equipment, net	271	512	2,709
Foreign exchange loss	-	75	0
Loss on valuation of derivatives	116	53	1,156
Others	214	230	2,145
Total non-operating expenses	1,219	1,493	12,186
<b>Ordinary income</b>	<b>7,929</b>	<b>7,925</b>	<b>79,293</b>
<b>Extraordinary expenses:</b>			
Impairment loss on fixed assets	160	8	1,604
Loss on investment securities	-	33	0
Total extraordinary expenses	160	41	1,604
<b>Income before income taxes and minority interests</b>	<b>7,769</b>	<b>7,885</b>	<b>77,689</b>
<b>Income taxes:</b>			
Current	2,469	2,420	24,688
Deferred	(79)	798	(786)
Total income taxes	2,390	3,218	23,902
Minority interests in net income of subsidiaries	480	420	4,801
<b>Net income</b>	<b>¥4,899</b>	<b>¥4,247</b>	<b>\$48,986</b>
	<b>Yen</b>		<b>U.S. Dollars</b>
<b>Per share</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Net income:</b>			
Basic	¥24.94	¥21.62	\$0.2
Diluted	-	21.61	-
Cash dividends	10.00	10.00	0.1

## For the Years Ended March 31, 2013 and 2012(Consolidated Statement of Comprehensive Income)

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Net income before minority interests	¥5,379	¥4,666	\$53,787
Other comprehensive income			
Valuation difference on available-for-sale securities	1,020	495	10,203
Foreign currency translation adjustment	1,966	(769)	19,661
Total of other comprehensive income (loss)	2,986	(274)	29,864
<b>Comprehensive income</b>	<b>8,365</b>	<b>4,392</b>	<b>83,651</b>
(Breakdown)			
Comprehensive income attributable to owners of the parent	7,502	4,023	75,018
Comprehensive income attributable to minority interests	863	369	8,633



# Consolidated Statements of Changes in Net Assets

## For the Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Shareholders' equity</b>			
Common stock			
Balance at the beginning of year	¥25,017	¥25,017	\$250,168
Balance at the end of year	25,017	25,017	250,168
Capital surplus			
Balance at the beginning of year	27,899	27,899	278,988
Balance at the end of year	27,899	27,899	278,988
Retained earnings			
Balance at the beginning of year	68,053	65,780	680,533
Change of items during the period			
Cash dividends	(1,965)	(1,964)	(19,645)
Net income for the year	4,899	4,247	48,987
Disposal of treasury stock due to exercise of stock options	-	(10)	-
Total changes of items during the period	2,934	2,273	29,342
Balance at the end of year	70,987	68,053	709,875
Treasury stock			
Balance at the beginning of year	(1,462)	(1,516)	(14,617)
Change of items during the period			
Purchase of treasury stock and fractional shares	(0)	(0)	(4)
Disposal of treasury stock due to exercise of stock options	-	54	-
Total changes of items during the period	(0)	54	(4)
Balance at the end of year	(1,462)	(1,462)	(14,621)
Total shareholders' equity			
Balance at the beginning of year	119,507	117,180	1,195,072
Change of items during the period			
Cash dividends	(1,965)	(1,964)	(19,644)
Net income for the year	4,899	4,247	48,986
Purchase of treasury stock and fractional shares	(0)	(0)	(4)
Disposal of treasury stock due to exercise of stock options	-	44	-
Total changes of items during the period	2,934	2,327	29,338
Balance at the end of year	¥122,441	¥119,507	\$1,224,410

# Consolidated Statements of Changes in Net Assets

## For the Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on available-for-sale securities, net of taxes			
Balance at beginning of year	¥4,485	¥3,993	\$44,849
Change of items during the period			
Net changes of items other than shareholders' equity	1,016	492	10,164
Total changes of items during the period	1,016	492	10,164
Balance at the end of year	5,501	4,485	55,014
Foreign currency translation adjustments			
Balance at the beginning of year	(3,206)	(2,491)	(32,060)
Change of items during the period			
Net changes of items other than shareholders' equity	1,587	(715)	15,866
Total changes of items during the period	1,587	(715)	15,866
Balance at the end of year	(1,619)	(3,206)	(16,194)
Total accumulated other comprehensive income			
Balance at the beginning of year	1,279	1,503	12,789
Change of items during the period			
Net changes of items other than shareholders' equity	2,603	(224)	26,031
Total changes of items during the period	2,603	(224)	26,031
Balance at the end of year	3,882	1,279	38,820
Subscription rights to shares			
Balance at the beginning of year	177	183	1,768
Change of items during the period			
Net changes of items other than shareholders' equity	(8)	(6)	(82)
Total changes of items during the period	(8)	(6)	(82)
Balance at the end of year	169	177	1,686
Minority interests in subsidiaries			
Balance at the beginning of year	5,149	4,806	51,487
Change of items during the period			
Net changes of items other than shareholders' equity	795	343	7,957
Total changes of items during the period	795	343	7,957
Balance at the end of year	5,944	5,149	59,444
Total net assets			
Balance at the beginning of year	126,112	123,671	1,261,118
Change of items during the period			
Cash dividends	(1,965)	(1,964)	(19,643)
Net income for the year	4,899	4,247	48,984
Purchase of treasury stock and fractional shares	(0)	(0)	(4)
Disposal of treasury stock due to exercise of stock options	-	44	-
Net changes of items other than shareholders' equity	3,390	114	33,907
Total changes of items during the period	6,324	2,441	63,244
Balance at the end of year	¥132,436	¥126,112	\$1,324,362

# Consolidated Statements of Cash Flows

For the Years Ended March 31, 2013 and 2012

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥7,769	¥7,885	\$77,690
Adjustments for depreciation	12,840	14,448	128,402
Adjustments for impairment loss on fixed assets	160	8	1,604
Income/Loss on investment securities	-	33	-
Decrease (increase) of prepaid pension cost	(26)	18	(260)
Increase (decrease) of employees' retirement benefit obligation	407	705	4,069
Decrease in defined contribution pension payable	-	(289)	-
Increase (decrease) of allowance for doubtful receivables	(7)	31	(76)
Interest and dividend income	(397)	(393)	(3,969)
Interest expense	618	623	6,176
Foreign exchange (gain) loss	(519)	75	(5,188)
Loss (gain) on sale of property, plant and equipment, net	(68)	4	(677)
Loss (gain) on disposal of property, plant and equipment	143	96	1,429
Notes and accounts receivable	9,946	(9,265)	99,458
Inventories	3,067	(1,739)	30,669
Notes and accounts payable	(1,813)	3,555	(18,126)
Other, net	(906)	692	(9,065)
Subtotal	31,214	16,487	312,136
Interest and dividend received	397	397	3,970
Interest paid	(689)	(628)	(6,886)
Income taxes paid	(3,164)	(5,092)	(31,642)
Net cash provided by operating activities	27,758	11,164	277,578
<b>Cash flows from investing activities:</b>			
Net decrease (increase) in time deposits	(20)	40	(204)
Payments for purchase of property, plant and equipment	(9,519)	(14,283)	(95,186)
Proceeds from sales of property, plant and equipment	290	47	2,899
Payments for purchase of investment securities	(2,857)	(51)	(28,569)
Proceeds from sales of investment securities	14	51	143
Proceeds from redemption of investment securities	100	-	1,000
Payments for loans receivable	(6)	-	(66)
Collections of loans	122	128	1,219
Other, net	9	1	93
Net cash used in investing activities	(11,867)	(14,067)	(118,671)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	(54)	117	(536)
Proceeds from long-term debt	7,000	1,196	70,000
Repayments of long-term debt	(15,060)	(65)	(150,599)
Payments for refund of lease obligations	(64)	(33)	(639)
Proceeds from minority shareholders of subsidiary	-	23	-
Proceeds from exercise of stock options	-	35	-
Cash dividends paid	(1,964)	(1,964)	(19,641)
Cash dividends paid to minority shareholders	(52)	(50)	(524)
Others	(5)	(0)	(49)
Net cash used in financing activities	(10,199)	(741)	(101,988)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	950	(316)	9,500
<b>Net decrease in cash and cash equivalents</b>	6,642	(3,960)	66,419
<b>Cash and cash equivalents at beginning of year</b>	27,178	31,138	271,782
<b>Cash and cash equivalents at end of year</b>	¥33,820	¥27,178	\$338,201



The report for this fiscal year clearly presents the Company's aggressive posture of promoting the development/sales of a wide variety of product groups under a severe business environment based on self-reforms of each organization and employee, putting forward the Company's diversity-oriented philosophy represented by diversity management.

**Mr. Satoshi Chikami**

Professor, Faculty of International Welfare Development, Nihon Fukushi University

### Clear business strategies based on analysis of external factors

In the Message from the President, the Company's posture of aggressively challenging the severe business environment is clearly stated based on the analysis of external factors. Through such actions as concluding a technological tie-up in India and commencing operation of a new plant in Thailand, the Company is promoting global operation based on a 4-pole structure focusing on Japan, North America, ASEAN and China. In terms of CSR, I highly appreciate the Company's efforts to instill the 1S culture with the aim of becoming a Company of Choice while focusing on promoting diversity management in view of ISO26000. I also appreciate that CSR is positioned as a process for ceaseless reforms of organizations and employees.

### Clear presentation of results/challenges and evaluation of Medium-Term CSR Plan

Similar to the previous fiscal year, activity results and challenges based on the CSR Vision 2015 are organized, and their evaluation and summary are presented in an explicit manner. Achievements or results are presented for most of the challenges, which I credit highly. For challenges receiving △ evaluation, causes are analyzed and future measures are specified. I expect that how these challenges are overcome during fiscal 2013 will be reported in the CSR Report for the next fiscal year.

### Enhanced disaster prevention measures in cooperation with local communities

Regarding the BCM in preparation for the upcoming Nankai Trough earthquake or other disasters, the Medium-Term CSR Plan results report points out the need for further enhancement of the Plan. The Company also promotes cooperation with local communities in disaster prevention, through

concluding a disaster prevention agreement with Tokai City and other efforts. Tackling the unavoidable risk of a disaster, the Company is expected to promote disaster mitigation through collaboration with local communities, while ensuring business continuity to maintain sustainable management.

### Environmental Action Plan 2015

Regarding the Environmental Action Plan 2015, all targets except "promoting a global CO<sub>2</sub> management system" were achieved. In particular, the volume of CO<sub>2</sub> emissions of the 2008-2012 average in production activities was much lower than the target, which should be highly recognized. Cases of logistics reforms promoted in cooperation with customers are also presented, demonstrating the Company's commitment to reducing environmental burdens throughout the entire supply chain. I also recognize steady progress in initiatives for the conservation of eco-diversity, such as creating a forest with beetles and the Forests of Toyota Development Volunteers.

It is noteworthy that the volume of landfilled waste, mainly steel slag, which drastically increased from FY2008 to FY2010 due to the revision of the Aichi Prefecture guidelines, was substantially reduced, achieving the target once again.

### Conclusion

The Company's posture of supporting the voluntary reforms and actions of each employee is presented clearly in both the CSR Vision 2015 and the Message from the President. In the report for the next fiscal year, it would be interesting to present voices of employees at worksites, if space allows.

©This Third-Party View is based on interviews with relevant parties, including the top management.

### Response to the Third-Party View



**Ichiro Murakami**

Executive Officer and General Manager, General Affairs Div.

I would like to express my appreciation to Professor Chikami for kindly providing valuable comments for consecutive years since fiscal 2010. For the matters pointed out based on his deep knowledge and highly professional insight, including the comments and suggestions that have been provided so far, we examined what we were able to achieve and what we were not, and implemented improvement measures. For this fiscal year, our business attitude, activity results/challenges based on CSR Vision 2015, the promotion of disaster prevention measures in cooperation with local communities, and the Environmental Action Plan 2015 are highly evaluated. We will further enhance these initiatives. At the same time, we will try to reflect in the next Report the matters suggested in his comments, including thorough dissemination of the CSR Policy involving relevant business partners, creating safe and comfortable worksites, and introduction to individual employees' voluntary reform actions. Finally, we will continue to make efforts to become a Company of Choice.



# Questionnaire on the “Aichi Steel Report 2013”

We value your opinions and feedback regarding this Report.  
(Please check the appropriate box.)

Tear off here. ✂

**1. Please tell us your profile.**

- (1) Gender :  Male  Female  
(2) Age :  10s  20s  30s  40s  50s  60s or over

**2. From what standpoint are you reading this Report?**

- Customer  Aichi Steel Corp. or a Group company employee/family  Shareholder/investor  Supplier  
 Local community resident  Government/administration official  Student  Educational/research institute  
 Person responsible for CSR  News organization  Other ( )

**3. How did you find this Report?**

- (1) Understandability  
 Easy  Average  Difficult  
(2) Content  
 Satisfactory  Average  Insufficient  
(3) Readability (design, font size, photos, graphs, etc.)  
 Easy to read  Average  Difficult to read

**4. What most impressed or interested you about this Report? (Check all that apply.)**

**Business Update**

- Message from the President  Business Overview

**Feature Story**

- Feature Story 1: Toward Being a True Global Company  Feature Story 2: Various Initiatives toward Increased Profits

**Governance**

- CSR Management  Corporate Governance  Compliance  Risk Management/Information Security

**Social Relations**

- With Our Customers  With Our Shareholders/Investors  With Our Suppliers  
 With Employees (Labor Safety and Health)  With the Local Community and Our Employees (Employment and Human Resource Development)  
 With Community and Society

**Environment**

- Environmental Policy  Environmental Management  Global Warming Prevention  
 3R (Resource Recycling)  Biodiversity  Material Flow  Environmental Data  
 Financial Reporting  Third-Party View  Response to the Third-Party View

**5. Do you think this Report is helpful for promoting better understanding of our CSR activities?**

- Was able to understand well  Was able to understand  Average  Was not able to understand much  Was not able to understand at all

**6. Did this Report change your impression of Aichi Steel?**

- Improved  No change  Worsened

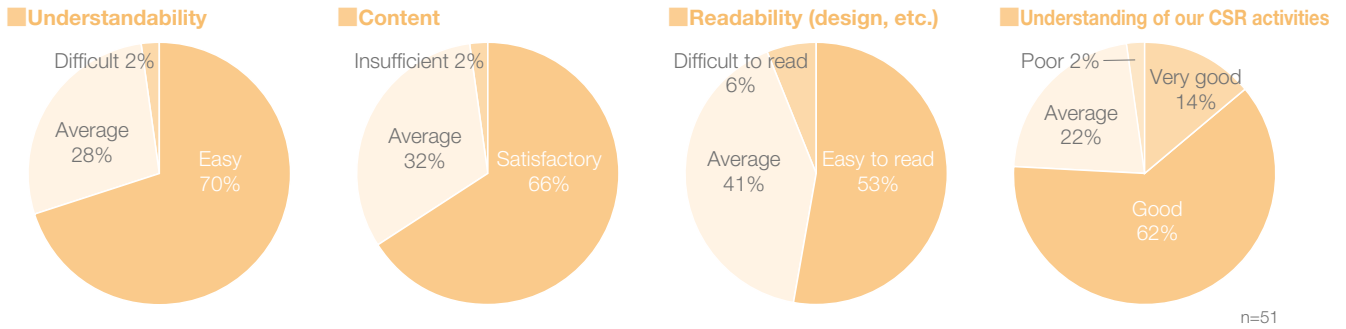
**7. If you have any comments or opinions, please write them in the box below.**

Thank you for your cooperation.



## Comments from readers

Thank you for your cooperation in the questionnaire survey regarding the Aichi Steel Report 2012. We value your input and views and will put them to good use in our improvement activities in the future. Here, we would like to introduce some of the answers and comments we received.



### Comments and Opinions

- This report is very informative since it fully describes how Aichi Steel and its top management think.
- A good thing about this report is that the plans developed have been properly assessed. The inclusion of more-detailed future plans would make the report better.
- This report is quite good in that, as part of your environmental efforts, every abnormality that occurred is reported honestly based on your “1S” culture.
- Your assessment of the Medium-Term CSR Plan seems optimistic.
- It's difficult to understand the challenges faced and achievements made by the Aichi Steel Group.
- It is amazing that Aichi Steel has 230,000 tons of internally recycled scrap.

\* We are conducting a questionnaire survey on the Aichi Steel Report 2013 on our website. We ask for your cooperation in taking the survey.

### Response to matters pointed out by Professor Chikami in the Third-Party View from the previous report

**1. Discussions on how to secure employees' safety, recover production, and cooperate with local communities toward establishment of the BCP in fiscal 2015**  
Our risk management efforts in fiscal 2012 have been reported. .... P13 .P16

**2. Efforts toward diversity management**

To promote diversity management, we have devoted efforts to enhancing and fully utilizing employees' abilities both in Japan and abroad. ... P7 .P24 .P25

**3. Promotion of the global CO2 management system**

We have made it mandatory for all business sites, except for overseas offices, to report on their energy consumption. .... P31  
For overseas offices that are not able to measure their electricity consumption, we will consider other measures.

**4. Establishment of effective connections between the Aichi Steel Report and the Company website**

Regarding connections between the Report and website, we are currently considering how to implement it in the next report.

**The cover illustration of this Report shows more diversity of trees and wildlife in forests than does the previous report, representing a future image of the Aichi Steel Group.**

**We have so far devoted ourselves to planting a large number of “seedlings of business” and nurturing their growth. If we continue our efforts, the seedlings will grow up healthy and eventually create an enormous forest, in which a wide variety of fruits will be harvested. We are confident that we will see such a scene in the near future.**

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