



More enthusiastically, strongly and straightforwardly
AICHI STEEL REPORT 2015
Year ended March 31, 2015

AICHI STEEL

Mission Statement

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

1. We will strive to make a positive contribution to society with safe, appealing, and useful technology and products.
2. We will 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 our 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 will promote our "1S" culture with top priority on the three Ss:

Sincerity first (Shojiki)

Cleanliness (Seiso)

Safety first (Safety)



Editorial Policy

The Aichi Steel Report 2015 was prepared to assist understanding among our many stakeholders of the approaches taken by Aichi Steel and Aichi Steel Group in fiscal 2014. Besides describing these approaches with specific examples, it sets forth as much as possible the causes and future initiatives concerning items for which targets have not yet been met.

Besides a progress report on the specification of important items required under the Global Reporting Initiative (GRI) guidelines, this year's Aichi Steel Report presents the highlights of action in fiscal 2014 as a special content. In addition to adopting the UD font¹ with consideration for universal design² as in past editions, it reflects concern for layouts that facilitate reading in its use of color and bold type, for example.

¹ A typeface design based on the concept of universal design.

² Design that enables all persons, regardless of age, gender, or disability, to make use of products, services, housing, or facilities, both conveniently and comfortably.

Readers

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

Report Period and Scope

The Report covers activities conducted by the Aichi Steel Group during fiscal 2014 (April 2014 to March 2015). However, some activities conducted before or after fiscal 2013 are also explained where necessary.

Reference Guidelines

The Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines" (versions 4)
ISO26000 (Corporate Social Responsibility)

Mini-quiz

There are three significant changes from last year on the cover of this year's Aichi Steel Report.

Can you figure out what they are? (The answer is on the back cover.)

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Corporate Profile

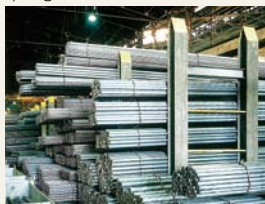
Establishment	March 8, 1940	Offices	Head Office: Tokai City, Aichi Pref., Japan Sales Offices: Tokyo/Osaka/Fukuoka Overseas Offices: Shanghai/Silicon Valley Plants: Chita/Kariya/Forging/Higashiura/Gifu/Seki
Capital	25,016 million yen (as of March 31, 2015)		
Representative	Takahiro Fujioka, President		
Employees	4,617 (Consolidated)/2,409 (Non-Consolidated) (as of March 31, 2015)		
Business Description	Production and sale of specialty steel products, forgings and electromagnetic products		

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, and 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.



Aichi Steel Group

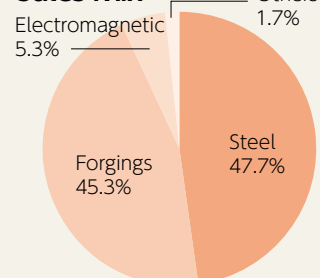
9 companies in Japan

- 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

10 companies in overseas

- 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)

Sales Mix



President

Takahiro Fujioka

Interview

“We will reinforce our manufacturing and maximize our strengths as a materials manufacturer as we work to become a company of choice globally.”

Could you provide an overview of fiscal 2014 and describe what the year was like amid a difficult operating environment characterized by ongoing yen depreciation?

Taking Advantage of Opportunities in a Difficult Environment

In fiscal 2014, ending on March 31, 2015, Aichi Steel's operating environment remained difficult, characterized by ongoing yen depreciation.

Stable low prices for steel scrap, our primary material, were a positive factor. However, as Aichi Steel requires a substantial amount of energy, the effect of the yen depreciation on raising energy and raw materials prices had a major management impact. All in all, it was a difficult

year.

Under these conditions, as the result of several decades of collaborating with Toyota Motor Corporation on the development of materials for fuel cell vehicles (FCVs), we see a major opportunity in promoting the use of our products to help realize a hydrogen-based society involving such items as FCVs and hydrogen stations. We also foresee opportunity in the development of infrastructure toward the Tokyo Olympics. We believe we have an extremely large chance to contribute by providing stainless steel, one of our strengths.

Wouldn't you agree that managing to achieve sales and income increases despite the problematic operating environment has led to a solid assessment of the Company?

Lowering Cost of Sales as We Move Toward “ZZZ200”

A major factor behind this achievement is the success of our efforts to lower the cost of sales under “ZZ100¹,” an activity we have been pursuing companywide since fiscal 2012. Ultimately, in three years we succeeded in generating earnings of approximately ¥10 billion. However, rather than ending the initiative there, in fiscal 2015 we launched “ZZZ (tri-zed) 200².” This new activity, under Vision 2020, calls for us to achieve net sales of ¥300 billion and operating income of ¥20 billion.

The ZZZ200 effort embraces the philosophy of “fractional management.” Under this concept, cost of sales is the denominator. Important to this figure is the extent to which we can conduct production and sales efficiently without waste or loss. The key to the numerator, which is

sales and profits, is to strengthen our core business by working with development departments to continue cultivating of new business, new products and new markets, thereby bolstering our sales capabilities. In short, we are working to decrease the denominator (cost of sales) and increase the numerator (sales and profits).

The ZZZ200 initiative defines 13 categories, and we will promote activities throughout the organization, focusing on being the sales and profit leader in each segment.

1. ZZ100.....This activity, named to encapsulate the ideas of *zenryoku de zennshin* (moving forward with full power) and *zettai yarinuku* (definitely prevail), was aimed at ensuring profits of ¥10 billion even in the face of a difficult operating environment.
2. ZZZ (tri-zed) 200.....Named to incorporate the ideas of *zenin sanko* (participation by all), *zenryoku* (full power) and *zettai yarinuku* (definitely prevail), this activity sets the target of achieving consolidated operating income of at least ¥20 billion by fiscal 2020.

One and a half years have passed since the formulation of Vision 2020. What specific measures are you currently engaged in?

Making Aichi Steel the Company of Choice Globally

The central initiatives for achieving Vision 2020 involve bolstering competitiveness in our core businesses and further reinforcing our unique capabilities. To respond to rising global automotive demand, we will need to reform our production process to bolster our competitiveness in the forging and steel materials segments. We will need to create a management structure that is robust in the face of changes in the operating environment.

Forgings Category: Responding to TNGA³ and Global Production Process Reform

To realize TNGA, we hold regular technical liaison meetings with our customers and are involved in collaborative manufacturing, working together from the initial development stages. Also, Thailand has become an important supply base for IMV⁴ products. In the past, Group company Aichi International (Thailand) Co., Ltd. (AIT) performed the central functions of finishing, inspecting and shipping forgings imported from the Philippines, Shanghai and Japan. By introducing new forging equipment at AIT, we are augmenting our market competitiveness and establishing an optimal supply chain, including from the BCM⁵ and BAP⁶ perspectives. In this manner, we are creating a robust global manufacturing system and providing peace of mind to our customers.

Steel Category: Production Process and Energy Reforms

We are making steady inroads with 4S reengineering, with 4S being an acronym for simple, slim, short and straight. Currently, we are launching rolling process reforms aimed at augmenting productivity by 10% or more. We have also begun 4S reengineering on finishing (inspections) to steadily alleviate bottlenecked areas, putting in place a firm structure that we believe should be able to respond to customers' demands. Another important focus is on

2020 Company of Choice Globally



reducing the amount of energy we use. Initiatives in this area include making visible the makeup of electric furnace exhaust gases and controlling them to avoid incomplete combustion. We have also completed a management system to optimize gas burner temperatures. We are starting to put this system in operation, aiming to achieve substantial improvements in combustion efficiency. Furthermore, we are collaborating with Usha Martin Ltd. of India in efforts to procure steel materials globally. We are currently able to procure in India the steel materials used at our bases in the ASEAN region. We are moving forward with this project with the objective of putting in place a globally integrated forging and steelmaking system.

3. TNGA.....An acronym for Toyota New Global Architecture, TNGA is a new development method launched by Toyota in April 2012 that aims to achieve both stronger product development power and reduced development cost by using common parts and units for different models of cars from development stages.
4. IMV.....An acronym for Innovative International Multi-purpose Vehicle, an IMV is a globally strategic vehicle aimed specifically at emerging markets that is produced to target diverse needs.
5. BCM.....An acronym for business continuity management plan
6. BAP.....An acronym for backup action plan, a BAP allows for the securing of facilities, procedures and spare parts to allow for production at alternative locations if production at facilities becomes impossible.

Please describe some of the areas of business in which Aichi Steel is unique.

Providing Stainless Steel That Contributes to a Changing Infrastructure

In addition to being the leader in our core business areas, we consider increasing our number of proprietary and distinctive technologies and projects to be essential. Specifically, we plan to further raise our number of stainless steel and electro-magnetic products. Our stainless steel is used in the Mirai, an FCV produced by Toyota Motors. Going forward, we plan to expand our repertoire of technologies, including through the development of derivative products that are of good quality and moderately priced. It is estimated that by 2030, 65% or more of the bridges in Japan will have become decrepit; we expect demand to rebuild such infrastructure to grow. We believe demand for stainless steel is certain to expand to meet such needs for infrastructure repair, renovation and renewal. Accordingly, we will work to boost our sales by making proactive appeals based on the distinctiveness and attractiveness of our stainless steel.

By Moving Steadily into the Black, Positioning Electro-Magnetic Products as Our Fourth Pillar of Earnings

Another category in which we are unique is electro-

magnetic products. In fiscal 2014, we succeeded in securing profits of approximately ¥600 million in this area. First, in the electro-magnetic business we plan to develop compact motors for use in home appliances and automobiles, expanding their application by leveraging features such as their freedom of configuration. In the sensor business, we are reinforcing our development and sales of magnetic sensors, an area where we have historically been competitive, including through synergies based on an alliance with ROHM Co., Ltd. In the future, we plan to roll out products in high-value-added fields, including amusement, healthcare and foreign matter detection. As the IoT⁷ concept becomes mainstream, we expect to develop our business in this area. In the business of electronic components, we have a major share of the market for components for cooling the inverters on hybrid units. Our superior plating technology is one reason for our prowess in this category. As hybrid vehicles and plug-in hybrid vehicles (PHVs) become more prevalent, we expect the need demand for these components to continue growing. In the dental business, sales of mini implants in South Korea are favorable, and we are preparing for a global rollout, including in China and the United States.

7. IoT.....An acronym for the Internet of things, IoT describes a future in which diverse items are equipped with communication functions and can communicate with each other over the Internet, allowing for automatic recognition, automatic control and remote measurement.

What are the objectives behind the organizational reforms?

Creating an Organization Where Ideas Flow Smoothly and Efficiently

We are pursuing revisions from two perspectives: the executive structure and the organizational structure. Regarding the executive structure, we are clarifying the roles of management (directors) and operations (executive officers).

In terms of the organizational structure, we are pursuing organizational restructuring along product lines rather than by divisions, forming a group to cultivate the stainless steel market and a leading-edge and functional product development department. We believe this approach will result in smoother communication of decisions, allowing for swifter organizational activity.

In the interest of reinforcing manufacturing throughout the value chain, we have created a business partner support group within our procurement department. By working with our suppliers to build a more robust structure, we are creating win-win relationships and taking specific steps to support their realization.



Wherever will be proactive in communicating with local communities to ensure that the people want us to remain in business.

Would you please describe the CSR management policy at Aichi Steel?

Being a Company That Society Considers Necessary

We strive, wherever we operate to be a company that local peoples want to stay in business, I believe it is important to sincerely address the issues and needs society faces, resolve them in a timely manner and pursue initiatives to engage in dialog with local communities.

Diligently and honestly undertaking efforts to address these issue leads to individual employee growth and increased awareness of society at large. These attributes are part of our corporate culture, of “1S Culture”⁸.

In fiscal 2014, we instilled this culture at Group companies, including at overseas bases. As a result, internal awareness of 1S Culture reached 98.6%, a result that I am proud of.

I also pay a great deal of attention to the results of employee satisfaction surveys. Unless our employees are satisfied, we cannot provide satisfaction to society at large. We conduct these surveys regularly, and always take them into consideration when developing individual departments’ annual plans in a process of ongoing improvement.

We are a resource-recycling corporation in the sense that our manufacturing uses as a material the steel scrap generated from dismantling automobiles and pieces of infrastructure. In this manner, we strive to contribute to the global environment through further efforts at CO₂ reduction, resource recycling and material development toward the realization of a hydrogen-oriented society.

The environment in which the Company operates changes significantly with the times. Like the growth recorded in the rings of a tree, we aspire to develop our operations

regardless of the environment by being robust enough to weather these changes. To achieve this, I believe we must reinforce our foundations and bolster our profitability. We need to make steady progress on both fronts to achieve real permanent growth.

Continuing to Contribute to Society Through a Spirit of Co-Existence and Co-Prosperity

Our social contribution activities include a “Lessons about Iron,” through which we endeavor to communicate the joys of manufacturing to elementary school students. We are also proactively undertaking “Forestation to Create a Forest for Beetles,” an industry-academia-government effort to contribute to biodiversity.

Among various other initiatives, our employees serve as “forest-developing volunteers,” and we conduct a “one-coin” donation program to raise awareness of contributing to society among each of our employees.

We work to achieve success in our core businesses and return the results to the societies in which we operate. Going forward, we will aim to retain this spirit of co-existence and co-prosperity throughout the Group as we endeavor to contribute to society.

8. 1S Culture.....The concept of putting *shojiki* (honesty), *seiso* (cleanliness) and safety first, “1S” forms the basis of our corporate culture.

At a time when a well trained workforce and diversity are necessary for any company hoping to compete on a global scale, what are your thoughts on creating an amenable working environment at Aichi Steel?

Nurturing personnel Who Can Be Active Globally

I see the cultivation of employees who can be active on a global stage as an urgent issue for our global development.

As part of our new employee training, I take the opportunity to conduct a lecture myself. One of the points I emphasize strongly is that it takes three years to build up a base. For example, performing the same measurements and accumulating the same data repeatedly for three years enables a person to accumulate experience that will certainly contribute to future success. I do my best to thoroughly instill this concept.

We trained personnel who can work in a global setting with international companies are vital for our global growth. To address this situation, we invite employees in their third year with the Company to join in our Group "Global Meeting." We also have educational programs to help employees acquire language skills, and we dispatch young employees for training at overseas subsidiaries. These programs provide opportunities that allow employees to grow in global fields.

Fostering Diverse Working Styles

By fiscal 2020, we aim to at least double our number of

female managers from 2014 levels, but we have high expectations for female employees in all positions, not only in management. To reach these aims, we will increase our recruitment of women. We are also putting in place programs aimed at making the workplace more amenable to women, such as introducing child-care support and facilitating shorter working hours.

Another important topic is creating an environment in which seniors can work efficiently. To this end, we are creating production lines tailored to senior employees, putting in place support equipment and tools that will enable them to work safely and comfortably. We conduct hearings of individual employees once they have reached a certain age to determine early on if they are interested in continuing to work post-retirement we are also considering a variety of initiatives to support diverse working styles.

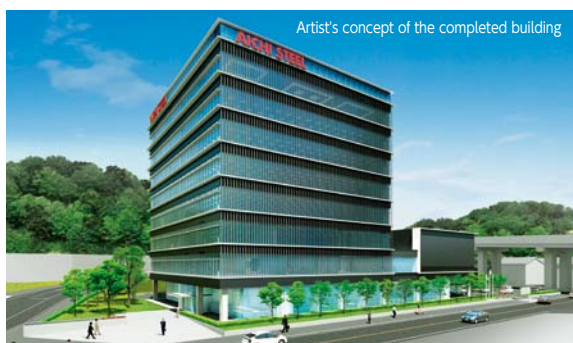
We also consider the employment of people with disabilities an important topic. Each year, we recruit a certain number of new employees who have various disabilities. We collaborate with special needs schools and are making our workplaces barrier-free. Through these ongoing efforts, we aim to create a workplace where various types of people can make full use of their skills. As part of these efforts, I believe it is important to cultivate an understanding of people with disabilities so that all employees can work together efficiently.

I understand that you are planning to rebuild your corporate headquarters to mark the Company's 75th anniversary of establishment. Please describe your feelings on this, including aspirations for the future.

Setting the Stage to Become an Energetic Company with a New Headquarters Building

We have decided to reconstruct our facilities, building a new headquarters building and visitor center on our existing corporate site. The designs are disaster resilient and are making worker safety a topmost priority. The structures will also facilitate workstyle reform, high levels of efficiency and serve as places that encourage communication. When the employees working here view the new buildings, we want them to think of them as symbols of Aichi Steel and see the evidence of our growth.

Above all else, I want our corporate group to be one that encourages active thinking, in which each employee feels a sense of ownership and thinks for themselves as they work. Also, we will carry forward the spirit of our founder, Kiichiro Toyoda, with the phrase "I will/rebuilding our business by changing ourselves." In these ways, we intend to become a company that contributes to society by providing materials.

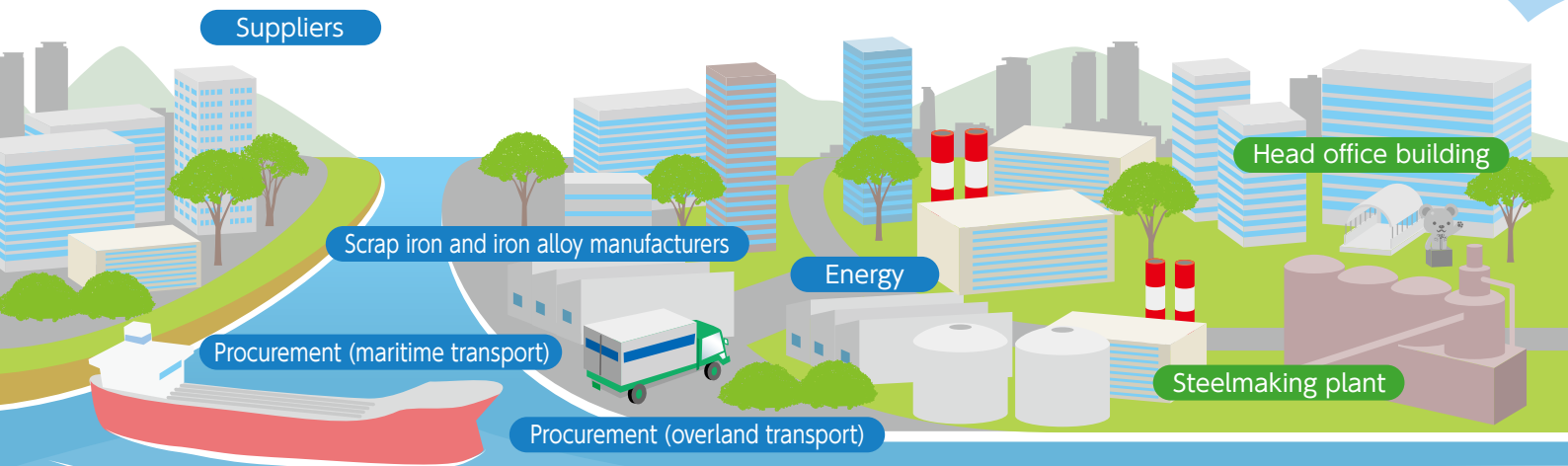


Summary of major issues in the Aichi Steel Group

Aichi Steel is identifying important issues to be addressed through the business activities of its Group for conformance with the fourth edition of the Global Reporting Initiative (GRI) guidelines (G4).

This section sets forth these issues with an awareness of the value chain encompassing Aichi Steel and engagement with stakeholders.

Engagement with stakeholders in the value chain



Major issues in each phase

Issues in the environmental aspect

Issues in the social aspect

Procurement

- More efficient transport and green procurement
- Natural resources, decrease in amount of use
- Extensive use of clean energy
- Thorough compliance
- Management of labor health and safety
- Respect for human rights

Production

- Reduction of energy consumption by facilities
- Increase in efficiency in work processes
- Thorough compliance
- Preparation of business continuity plans (BCP) & back-up action plans (BAP)
- Information security
- Decrease in CO2 emissions
- Promotion of zero emissions
- Effective use of diverse human resources
- Good work-life balance
- Human resource development

Customers

- Sales activities
- Supplier groups, Kyohokai, etc.
- Customer groups (Aikokai, Aishinkai)
- Corporate website
- Aichi Steel Report (this report)
- Stable supply of products
- Improvement in product quality and added value
- Improvement in economic merit
- Improvement in environmental performance

Employees

- Labor-management negotiations and explanatory meetings
- Various discussions
- Various seminars
- Portals for consultation and communication
- Corporate website and intranet
- Aichi Steel Report (this report)
- In-house report
- Stable management and return of profit
- Improvement of labor conditions and creation of opportunities
- Promotion of a good work-life balance
- Human resource development
- Management of labor health and safety
- Fair assessment

Shareholders/Investors

- General meetings of shareholders
- Meetings for presentation to investors
- Various IR tools
- Aichi Steel Report (this report)
- IR website
- Stable management and return of profit
- Information disclosure

Aichi Steel Group as a whole

- Conference for promotion of consolidated management
- Global meeting
- Meetings for discussion by top-level executives
- Provision of technology and know-how
- Support for human resource development
- Conditioning of production facilities and infrastructure

Suppliers

- Procurement activities
- Meetings for description of procurement policy
- Supplier groups (Hokokai)
- Equal and fair transactions
- Management of labor safety

Local community

- Community meetings
- Participation in local community events
- Social contribution activities
- Information disclosure
- Promotion of social contribution activities
- Contribution to local communities
- Environmental contribution
- Maintenance and improvement of biodiversity

Public administrative authorities

- Meetings for discussion with authorities
- Contribution to educational activities
- Promotion of employment
- Payment of taxes
- Contribution to the region and education

Various supporting groups (cooperation with NPOs, NGOs, etc.)

- Communication with various groups
- Support of activities
- Promotion of social contribution activities



- Curtailment of environment-burdening substances
- Preservation of water quality
- Management of labor health and safety
- Creation of employment
- Regional contribution

Logistics (physical distribution)

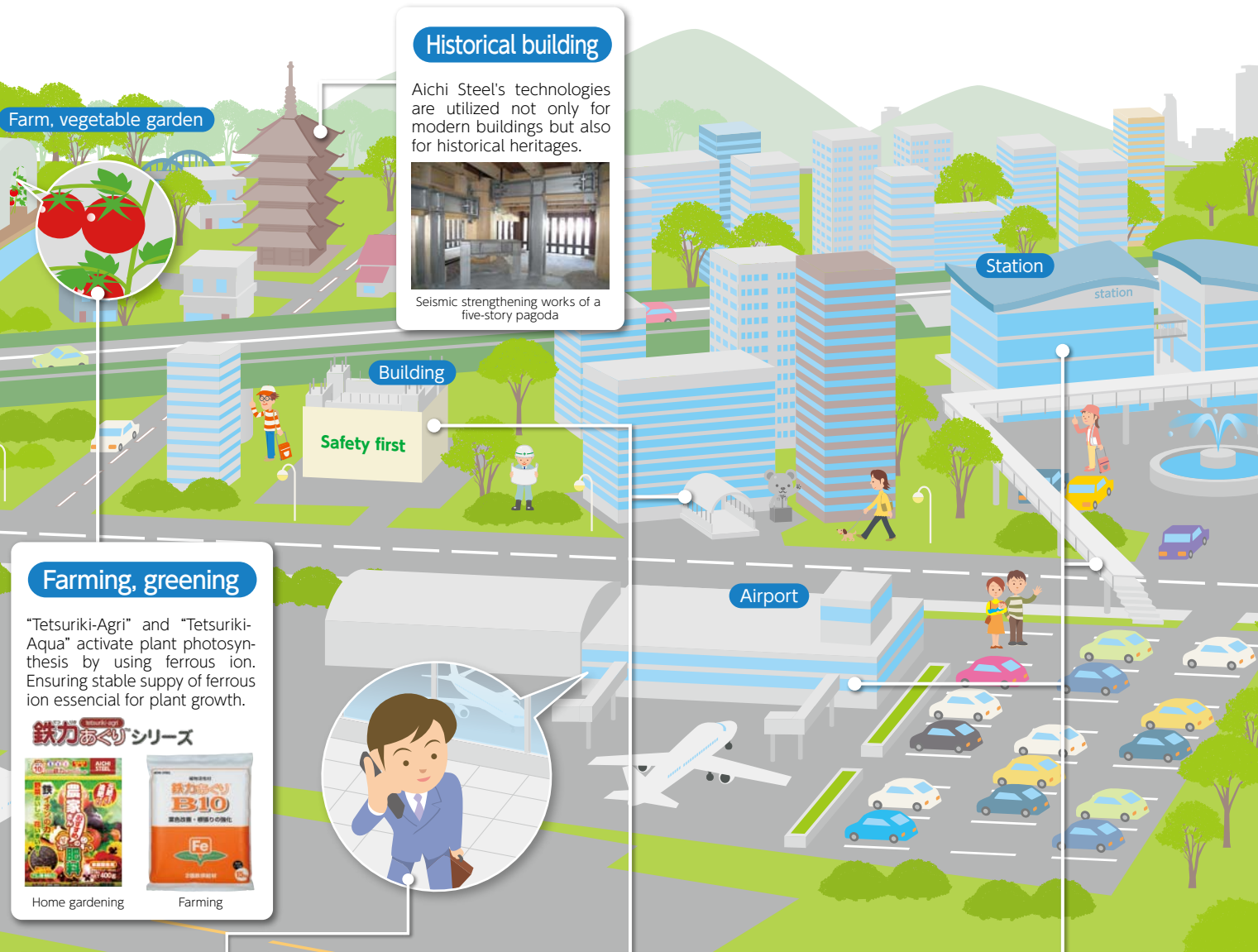
- Increase in transport efficiency
- Decrease in crating materials
- Curtailment of environment-burdening substances
- Thorough compliance
- Stable supply
- Alleviation of impact on transportation

Products

- Development of energy-saving products
- Contribution to emergence of the resource-recycling society
- Improvement of product quality
- Product safety
- Heightening of customer satisfaction

The Aichi Steel Group is committed to pursuing the infinite possibilities of materials and creating new values.

We are contributing to various aspects of society by providing products that match the needs of our customers to ensure a comfortable life for people.



Farm, vegetable garden



Historical building

Aichi Steel's technologies are utilized not only for modern buildings but also for historical heritages.



Seismic strengthening works of a five-story pagoda

Building

Safety first

Farming, greening

"Tetsuriki-Agri" and "Tetsuriki-Aqua" activate plant photosynthesis by using ferrous ion. Ensuring stable supply of ferrous ion essential for plant growth.

鉄力ありシリーズ



Home gardening

Farming



PC, smart phone

We are supporting the evolution of information terminals that are increasingly becoming more compact with higher performance.



Electromagnetic compass for smart phone

High-sensitive MI sensor

Building, store

Stainless steel is used for diverse applications for its design and corrosion resistance, contributing to extended life of building appearances and concrete structures.



Stainless steel concrete bar "SUSCON"



Entrance eave, curtain wall

Station, airport

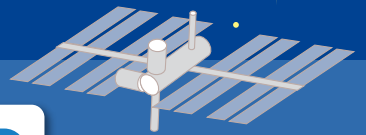
Our stainless steel is also used in stations and airports used by thousands of people everyday.



Station skywalk



Handrail



Car

We are contributing to lower fuel consumption and higher performance.

[Forging]



Crank shaft



Input shaft



Counter driven gear

[Electromagnetic]

Magfine seat motor



Hybrid vehicles

We are supporting the electrification of environmentally friendly vehicles.



Cold plate



Power cards

Fuel-cell vehicles

Hydrogen station

To assist emergence of the hydrogen society, we are contributing to the safety and reliability of fuel-cell vehicles and hydrogen station equipment.



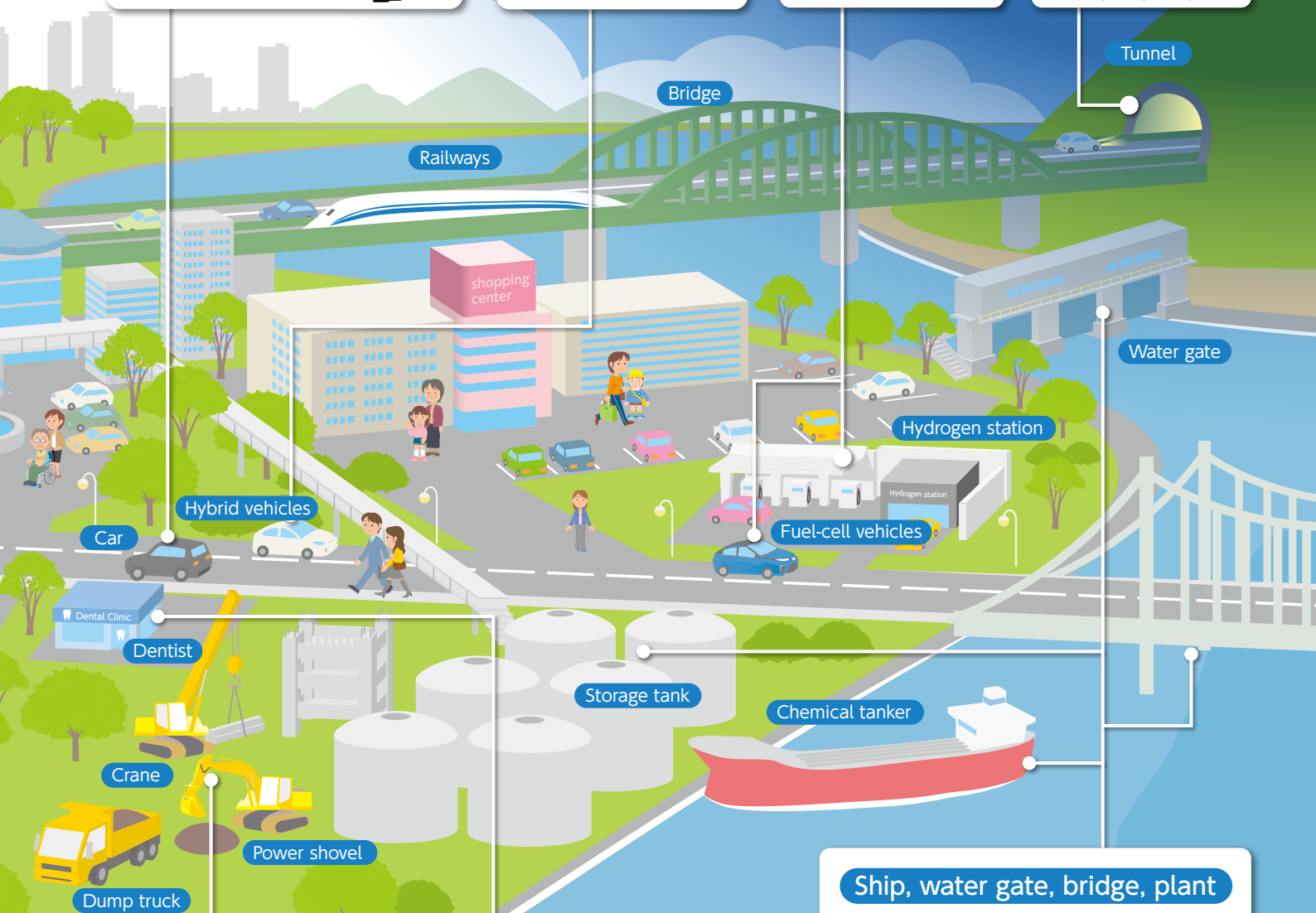
Hydrogen station

Tunnel

Stainless steel is also used for interior structures of tunnels for which durability and high-temperature properties are critical.



Attachment in the tunnel of capital expressway



Construction machinery

Stainless steel is also used for construction machinery that requires strength and durability.



Boss

Front idler



Propeller shaft

Dentistry

Small magnet developed by Aichi Steel and used worldwide to affix false teeth.



Dental magnetic attachment

Ship, water gate, bridge, plant

Wide application for its rust-resistant properties, including dams, water gates and plant.



Propeller shaft for ship



Water gate



Irabu Bridge

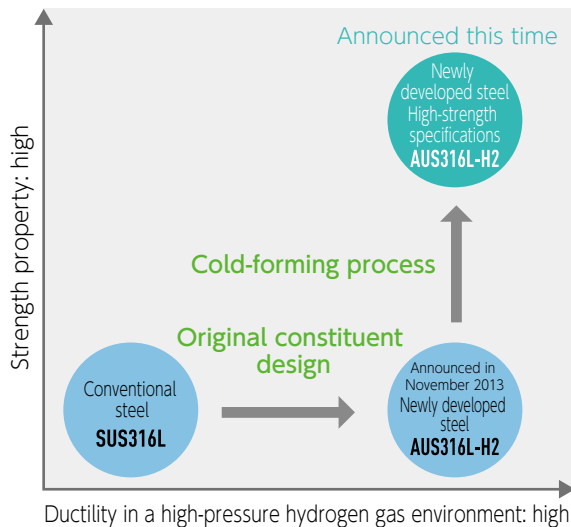
Production starts on stainless steel for Toyota's new fuel-cell vehicle the MIRAI

Aichi Steel has started production of AUS316L-H2 stainless steel for parts in the high-pressure hydrogen train of the MIRAI, the fuel-cell vehicle to be sold by Toyota Motor.

This steel was made by applying a cold-forming process to AUS316L-H2 (announced in November 2013), to increase its strength. It will be applied to several parts in the high-pressure hydrogen train. The steel is characterized by the high ductility (malleability) it exhibits in a high-pressure hydrogen gas environment as compared to conventional steel.

This is due to the original design of its constituents. It will help to improve the safety and reliability of parts

and devices in fuel-cell vehicles and hydrogen stations. In addition, it has been adopted by several manufacturers of high-pressure hydrogen equipment for use in hydrogen stations. The adoption of its high-strength specifications for the MIRAI fuel-cell vehicle will widen our product repertoire and allow us to assist in the emergence of repertoire hydrogen society as a manufacturer of vehicle and infrastructure, materials.



The Toyota model MIRAI

— Launch of blooming re-engineering — Innovation in steel manufacturing

Aichi Steel is promoting an original program titled “4S Re-Engineering*” whose intention is to innovate the manufacturing process for steel materials. As a part of this program, it has launched work on “blooming re-engineering,” i.e., innovation of the blooming process whose facilities roll 95% of our custom steel. This re-engineering is grounded in the key pillars of process streamlining, reform of yield, and improvement of quality and the first-run rate. Its ultimate aim is total direct linkage with the steelmaking process.

As a first step to this end, we separated the conveyor lines for steel materials and billet, which had been mixed together, and set up a new conveyor line exclusively for

the former. We also unified the sizes of steelmaking base materials and billet. These steps improved productivity and yield.

Besides stream living processes and improving first-run rates, future objectives include a further increase in competitiveness of our steel materials and forged products, which constitute our main line, and substantial reduction in CO₂ emissions for linkage with contribution to the global environment.

*4S Re-Engineering: process innovation keyed by the watchwords “simple, slim, short, and straight.”

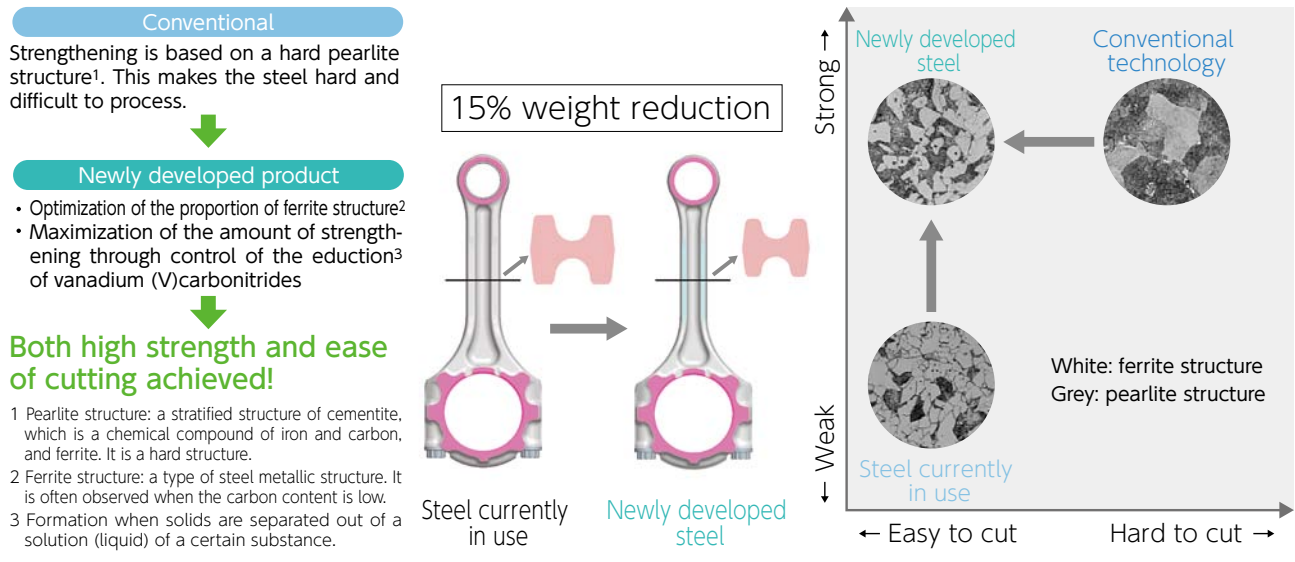
Light-weight, strength connecting rods improve automobile fuel efficiency

Collaborating with TOYOTA MOTORS, Aichi Steel has developed a new type of steel for making high-strength, light-weight connecting rods. This steel was adopted for a new turbo engine manufactured by Toyota.

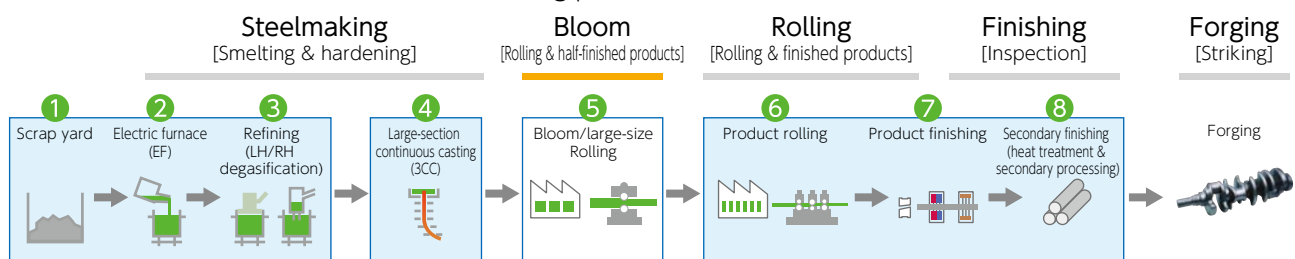
Reducing the weight of connecting rods, one of the moving parts in an engine, can be expected to have beneficial ripple-effects for peripheral parts. There is consequently a strong need for a reduction in their weight. So far, the problem has been that the increase in strength required for weight reduction had the effect of making the steel harder to cut. In this project, Aichi Steel used its expertise in integrated

forging and steelmaking to produce a steel as strong as any world wide, but as easy to cut as conventional steel.

The adoption of this new steel will bring about a weight reduction of around 15% as compared to the ordinary connecting rods in engines in the same displacement class, and therefore improve the automobile's fuel efficiency.



Outline of the steel materials manufacturing process



Main features

- 1) Improvement of productivity and yield through installation of a new conveyor line and unification of the sizes of base metal and billet for steel materials
- 2) Achievement of energy cost minimization by synchronization with steelmaking
- 3) Improvement of appearance and quality through optimization of thermal history and rolling

- Effects**
- Direct link between steelmaking & streamlining
 - Decrease in CO₂ emissions by improving of yield, and quality



4,500 ton crankshaft forging press starts operation in Thailand and Japan

Aichi Steel has started operation of new 4,500-ton presses for forging crankshafts at its head-office forging plant in Japan and its Group company Aichi International (Thailand) Co., Ltd. The presses were introduced in response to needs for more compact, lightweight, and fuel-efficient automobiles. These presses are used for producing of crankshafts for the diesel engine mounted in the IMV, Toyota's model directed at newly emerging economies. It can also cope with the needs of a wide range of customers, meaning not only major automobiles clients in these markets but also manufacturers of agricultural and construction machinery.

Regional production for consumption in the same region is spreading along with the globalization of automotive production. Under these circumstances, Aichi Steel is striving to set up a stable supply chain that can ensure that customers around the world can expect the same quality in their country as is expected in Japan.

Our hope is to establish Aichi Steel as a universally trusted brand.



Toyota's Hilux REVO model



A 4,500-ton press at our forging plant

New products developed using our ironmaking expertises



Liquid fertilizer for agricultural use
ALA-FeSTA

Vendor: Sakata Seed Corporation

* A product developed jointly by three companies:
Sakata Seed Corporation; Seiwa Co., Ltd.; and
Aichi Steel Corporation

Iron plays a very important role in the growth of plants. Aichi Steel drew on its ironmaking know-how to independently develop a type of ferrous oxide (FeO). The ferrous ions in it leach steadily and slowly into the ground, making it easy for plants to absorb iron and promoting their growth.

Recently, Aichi Steel jointly developed products containing its ferrous oxide (FeO). The results were marketed under the brand Earth Garden Rich Series by Earth Chemical Co., Ltd. and ALA-FeSTA by Sakata Seed Corporation. The former is aimed at home gardeners, and the latter, at farmers. We are committed to continued cultivation of new markets and development of new products by actively pursuing joint development with other firms and not restricting our provision of products to our own brand. Our aspiration is to produce a diverse repertoire of original steel products.



Earth Garden Rich Series, a solid fertilizer for home gardening
Vendor: Earth Chemical Co., Ltd.

Sales launch for PalmGauss-S, a magnetic field simulator for magnetic sensor evaluation

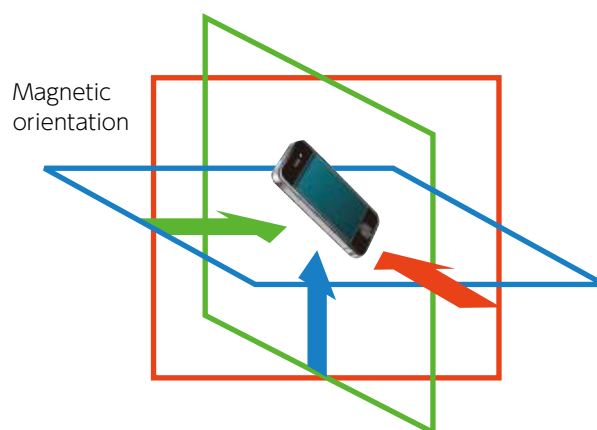
PalmGauss-S utilized technology learned by Aichi Steel while developing the MI sensor.

The MI sensor is an amorphous wire magnetic sensor. The first of its kind that has been widely lauded for its high performance and compact size.

Recent years have seen a rapid expansion of the smartphone market, and magnetic sensors are being mounted in the devices as electronic compasses. This product enables magnetic field simulation that anticipates use of smartphones in various positions. It is expected to contribute to the development and production of new smartphone models.



Generation of the desired magnetic force by combination of three sets of coils.
Ability to simulate diverse magnetic field states.



MIZUNO Corporation adopts steel developed by Aichi Steel for its JPX E III and JPX 850 golf clubs

Soft-iron boron steel has excellent hardenability* due to the heat treatment of the steel.

This steel when used in the head of a golf club, allows for the benefits of a hard club, while still utilizing all the advantages of conventional soft-iron club. This technology allowed MIZUNO to create a golf club with a very

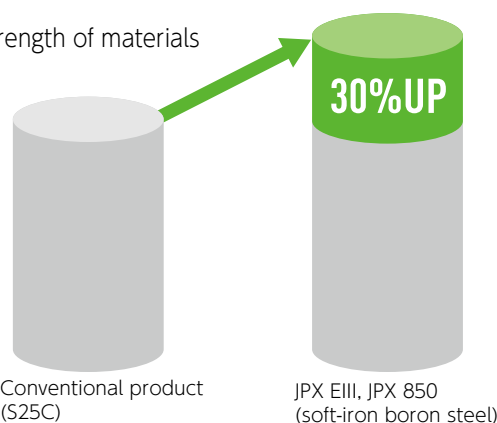
thin forged soft-iron face. Therefore these clubs are deliver the soft sensation and exhilarating impact distinctive to forged soft iron, while lengthening the distance of shots.

* Hardenability: a property indicating the depth of firing and distribution of hardness when quenching and hardening steel through heat treatment



Provided by MIZUNO Corporation
JPX 850

Strength of materials



Governance

Striving to contribute to sustainable development of society and the Earth through healthy corporate activities



CSR Management

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 through the establishment of our Long-term CSR Vision and the implementation of our Medium-term CSR Plan.

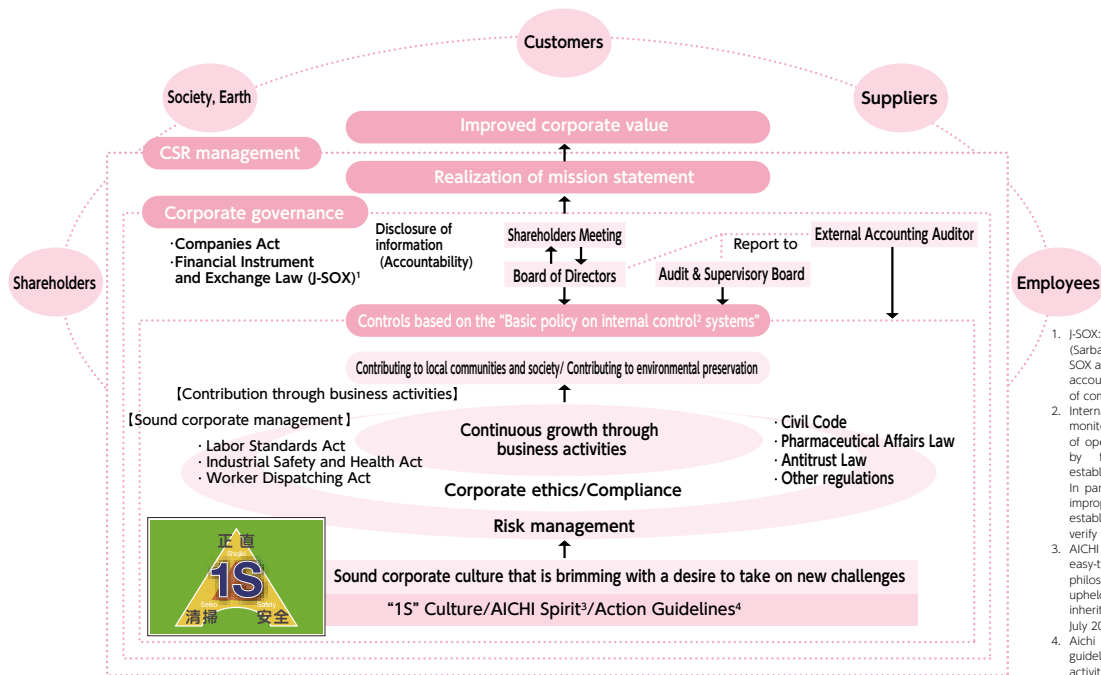
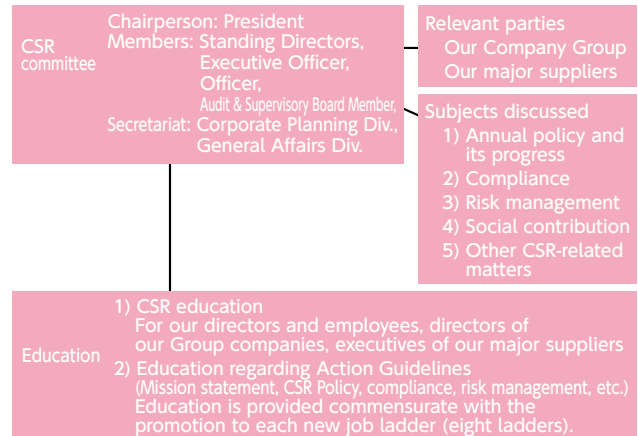
CSR guidelines

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 whenever global business activities are conducted. (See WEB.) 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 (7 items in 2 categories), and the Business Administration Rules (309 items in 10 categories). These rules are revised whenever any changes are made to related laws and regulations or 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 once a year (in March) to report on and check the progress of our CSR management efforts. Including those of the Aichi Steel Group companies.

CSR committee



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. AICHI 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 the corporate genes inherited from its predecessors (established in July 2006).
4. Aichi Steel Group Action Guidelines: Practical guidelines that must be followed during business activities (revised in October 2013)

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

Midium-term CSR Plan Achievements

	Priority items	Actions taken for priority issues	Targets	Achievements/challenges	Assesmen
Social contribution/business activities	1. Community activities resulting in environmental/social contribution	<ul style="list-style-type: none"> ◇ Enhancement of ability to transmit information to society (all business) ◇ Review/implementation of more attractive plant development ◇ Participating in activities to preserve biodiversity in the Chita Peninsula <ul style="list-style-type: none"> · Review and planning draft concept of 20-year plan for Nakashinden reforestation ◇ Continuing to hold "Lessons about Iron" workshops for elementary school children in Tokai City ◇ Revitalizing volunteer fund activities ◇ Ongoing assistance for reconstruction and recovery from the Great East Japan Earthquake <ul style="list-style-type: none"> · Consideration of proactive purchase and use of products from the Tohoku region to support those affected · Increasing the number of participants in ¥100 donation program through payroll deduction 	More than 20/year Individual implementation plan September 2014 Target: All schools Individual implementation plan September 2014 Target: 500 people	<ul style="list-style-type: none"> · Goal of 28 press releases achieved, work to continue on improving public relations tools · Long-term creation of blueprints in collaboration with the Unification Dept of Chita plant · Held meeting to observe one-year tree-planting progress (50 participants) · Held at all 12 Tokai City elementary schools, to continue in fiscal 2015 · PR activities targeting divisions and informal organizations, requests for donations · Product sales booth set up at internal events to advertise ongoing assistance · Requested workplaces to encourage further participation 	○
	2. Development and provision of products/technologies that can satisfy eco-minded customers	<ul style="list-style-type: none"> ◇ Development and sales of SUS steel for use in high pressure hydrogen equipment ◇ Installation of high-speed oxygen burner to improve melting speed in electric furnaces 	Individual implementation plan 380 kwh/t	<ul style="list-style-type: none"> · Use of AUS316L-H2 drawn steel in fuel cell vehicles · Effective in reducing power needed for melting in electric furnaces 	○
Risk Management/Compliance	3. Response to risk factors beyond the company's control, such as natural disasters and changes in the external environment	<ul style="list-style-type: none"> ◇ Updating disaster BCM policy and creating early recovery framework <ul style="list-style-type: none"> · Enhancement of safe evacuation and rescue action plans · Promotion of measures to reduce damage to manufacturing equipment, etc. (linked with BAP) 	Individual implementation plan	<ul style="list-style-type: none"> · Developing plan for construction of new head office to serve as business continuity site (safe, seismically isolated structure, prevention of damage to IT facilities, etc.) · Determining measures to address weak points that could significantly affect production recovery (Liquefaction countermeasures east substation, industrial water intake pipes, gantry cranes) 	○
	4. Response to risk/compliance factors controllable by the company *ATSG...All Toyota Security Guideline	<ul style="list-style-type: none"> ◇ Risk management <ul style="list-style-type: none"> · Strengthening risk management of Aichi-Group · Strengthening risk/compliance incidence response capability · Information security control · ATSG* response, strengthening subsidiaries, awareness programs, crisis response ◇ Compliance <ul style="list-style-type: none"> · Ensuring true compliance 	Individual implementation plan Individual implementation plan	<ul style="list-style-type: none"> · Enhancing risk map, strengthening preventative action and awareness programs · Enhancing media relations training for serious incidents · Establishing rules and regulations, individual instruction, baggage inspections, creating tools (inadequate efforts in some areas to insure employees are informed) · Building and promotion of an optimal corporate governance structure, activities to inform subsidiaries of compliance issues, review of plans for implementing survey of overseas Group companies (inadequate efforts in some areas to ensure employees are informed) 	△
Human resources development/corporate culture	5. Human resources development to improve job quality and in response to global business activities	<ul style="list-style-type: none"> ◇ Stimulating interest in overseas assignments by raising language ability and through use of OT training and other programs ◇ Enhancing planning and proposal skills through next-generation business proposal contest ◇ Continued reporting at inter-departmental policy meetings of initiatives based on employee satisfaction survey results 	Establishing call for participation Once a year April 2014	<ul style="list-style-type: none"> · 4 employees dispatch to OT training: offered opportunity to gain experience overseas · Developing technology professionals: renewal of technology courses (for new hires) · Launch of one-month introductory technology course (previous: 3 days total) · Completed for fiscal 2014, planned for continuation in fiscal 2015 · Completed for fiscal 2014, planned for continuation in fiscal 2015 	○
	6. Creating a safe and comfortable workplace environment	<ul style="list-style-type: none"> ◇ Ensuring safety O-CA/PD (Full employee participation to ensure prevention of recurrence and horizontal deployment) <ul style="list-style-type: none"> · Development of safety-conscious human resources · Ensuring compliance with basic rules (nurturing a culture of complying and ensuring others comply with the rules) · Improving the safety awareness and knowledge of those with weak understanding of safety; establishing supervisory staff · Improving supervisory capabilities · Ensuring standardized work <ul style="list-style-type: none"> · Put MTA work procedural manual and manual for handling irregularities and provide education and training · Creating a safe workplace environment <ul style="list-style-type: none"> · Preventative activities based on mid-term plan for creating a safe workplace · Speeding up and getting through lockouts ◇ Creation of rules and manners for footwear and clothing 	Serious accidents/accidents resulting in lost work time: 0 Semi-serious accidents: Less than 4 Occupational diseases: 0 April 2014	<ul style="list-style-type: none"> · Internal: 1 accident resulting in lost work time; At plants: 1 serious accident, 1 accident resulting in lost work time · Company-wide special safety activity roll-out: Action to eliminate unacceptable accidents <ul style="list-style-type: none"> · Identifying and improving workplace issues, implementing review of procedural manuals · Implementing KY (short for "KikenYochi," or risk prediction) at the beginning and end of work to protect lives · Support for in-plant business operators <ul style="list-style-type: none"> · Brainstorming seminars by leaders of in-plant business operators · Creating safe worksites (explosions, separation of people and vehicles, risk of getting caught in equipment, etc.) · Creating rules and manners for commuting and work, deploying Company-wide 	×

Review of CSR activities in fiscal 2014 and identifying issues

4. Response to risk/compliance factors controllable by the company

Further enhancement of Group-wide risk management capabilities

- Improvement of risk management levels and appropriate follow-up, including risk maps and information security, etc.
- Further ensuring compliance

6. Creating a safe and comfortable workplace environment

Strengthening efforts to eliminate accidents

- Activities to eliminate unacceptable accidents
 - I) Developing safety-conscious human resources
 - II) Developing safety standards
 - III) Developing safe worksites
- Support for in-plant business operators
- Work environment improvements (handling diversity)

Corporate Governance

Basic policy

With a basic CSR policy of "striving to contribute to sustainable development of society and the Earth through sound corporate activities," we are managing our company in a way that enjoys extensive trust of society by establishing and maintaining an organization capable of responding swiftly to changes in business environments and a fair and transparent management system.

We also have "1S Culture" in place as part of our corporate culture that puts first priority on and acts on the principles of 3 Ss, namely Shojiki (honesty), Seiso (cleanliness) and Safety.

Corporate governance guidelines

We have published two types of codes of conduct: the "Action Guidebook for Directors and Audit & Supervisory Board Members," and the "Aichi Steel Group Action Guidelines for employees." We review and revise them to match changes in the law and in social trends.

The "Action Guidebook for Directors" and the "Aichi Steel Group Action Guidelines for employees" are distributed to all of our company employees, and we provide related training to freshman employees and those promoted to new job levels.

A CSR card that employees can carry with them is also distributed to everyone, part of our efforts to ensure employees remain constantly aware of our Code of Conduct.

Meetings of the Board of Directors and the Audit & Supervisory Board

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. Audit & Supervisory Board Members, consisting of Audit & Supervisory Shareholders examine whether such decisions involve any violations of laws/regulations.

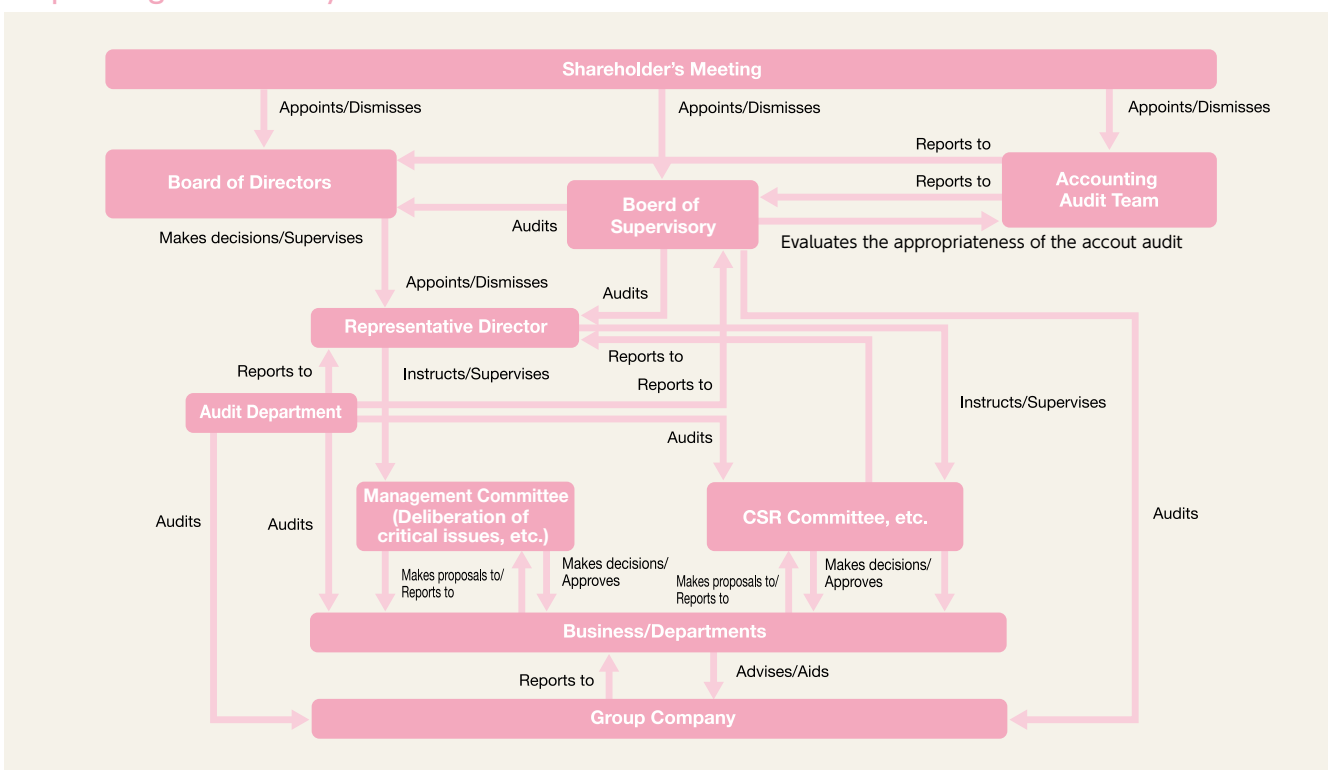
Attendance rates in fiscal 2014

	Meetings	Director attendance rate	Audit & Supervisory Board Members attendance rate	
			Full-time standing Audit & Supervisory Board Members	Outside Audit & Supervisory Board Members
Board of directors	14 times	98%	100%	95%
Audit & Supervisory Board	12 times	/	100%	100%

Internal control system

The Internal Control System Basic Policy is reviewed annually to determine if any revisions are required, and the status of its operation is reported to the Board of Directors. Given changes in the Companies Act, In April 2015 a resolution was passed to revise the policy and the contents disclosed. In April 2015, we also introduced a new board of directors system, with the goal of further separating and strengthening management decision-making by the Board, and supervisory and business execution functions. At the general meeting of shareholders held in June 2015, we also appointed one outside director as part of our efforts to further strengthen corporate governance.

Corporate governance system



Compliance

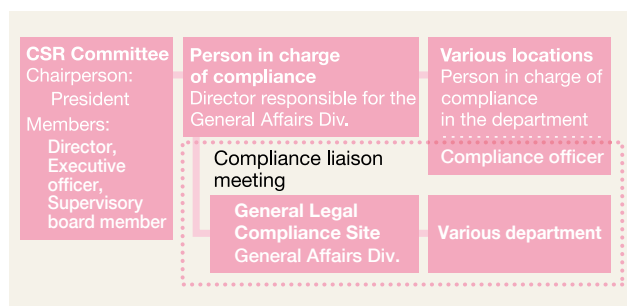
Basic policy

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

Compliance guidelines

Based on our internal rules and the Aichi Steel Group Action Guidelines, we strive to improve our compliance with laws and regulations as well as our social common sense. To enhance employee awareness of compliance, various workshops and training sessions are held at every opportunity, using compliance manuals, the Aichi Steel Group Action Guidelines and the 1S Guidebook.

Compliance promotion system



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.

Stratified training	246 participants
Seminar 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	3 times (July, October, January) Theme: Learning from other companies' law violation cases (2 times) Legal changes (2 time)

Whistle-blowing system

In fiscal 2014, a total of 6 cases were reported to the Aichi Steel Group Compliance Hotline, the company's whistle-blowing system.

We will continue promoting recognition and awareness of our whistle-blowing system to further improve our internal ability to govern ourselves. Necessary measures will be taken for improper actions reported, and the president will be informed to the president for confirmation while said measures are carried out. We will also lay out how the system is operated and protection of whistle-blowers to ensure whistle-blowers are protected.

Fiscal year	2010	2011	2012	2013	2014
Number of calls	9	6	3	6	6

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 26.) In fiscal 2014, CSR seminars for suppliers were held (in May, 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 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.



Intellectual property protection

In fiscal 2014, there were no complaints or comments concerning intellectual property.

Number of applications

	Japan	Overseas
Number of our patent applications in fiscal 2014	28	12

Risk Management System

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 various 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.

Disaster prevention measures

Following the Great East Japan Earthquake, we established the Earthquake Preparedness Committee, under which three subcommittees—the Human Safety, Facility Safety, and Production Recovery Subcommittees—were set up to enhance our earthquake preparedness. We are also working to improve our BCM (Business Continuity Management) plans. In fiscal 2014, following measures were taken by each subcommittee.

Human Safety Subcommittee

Ensuring safer evacuation

- 1) Creating a two-point safety confirmation system to further ensure functioning during an emergency
- 2) Educating employees through ongoing publication of "Disaster Prevention News"
- 3) Regular implementation of practical evacuation drills, including transport of the injured, etc.
- 4) Building of a framework for distribution of emergency relief supplies within the Toyota Group, etc.

Facility Safety Subcommittee

Preventing injury due to the effect of tremors on buildings and other structures

- 1) Reinforcing chimneys and pipe racks where there are concerns about earthquake resistance
- 2) Installation of emergency lighting, etc.

Production Recovery Subcommittee

Ensuring early delivery of products to customers

- 1) Reinforcing facilities to prevent fatal damage due to earthquakes and liquefaction, and ensuring alternative facilities and equipment are available.
- 2) Identifying weaknesses across the entire supply chain, and clarifying recovery priorities.
- 3) Considering extensive cooperation in securing alternative production facilities within the Group, and among suppliers and competitors.
- 4) Developing elemental technologies and key personnel to allow operation of essential production with a minimum number of employees.
- 5) Ensuring back-up of information systems and data, etc.

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.

Education/Awareness-raising

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

Disaster Prevention System



Information Security

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 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

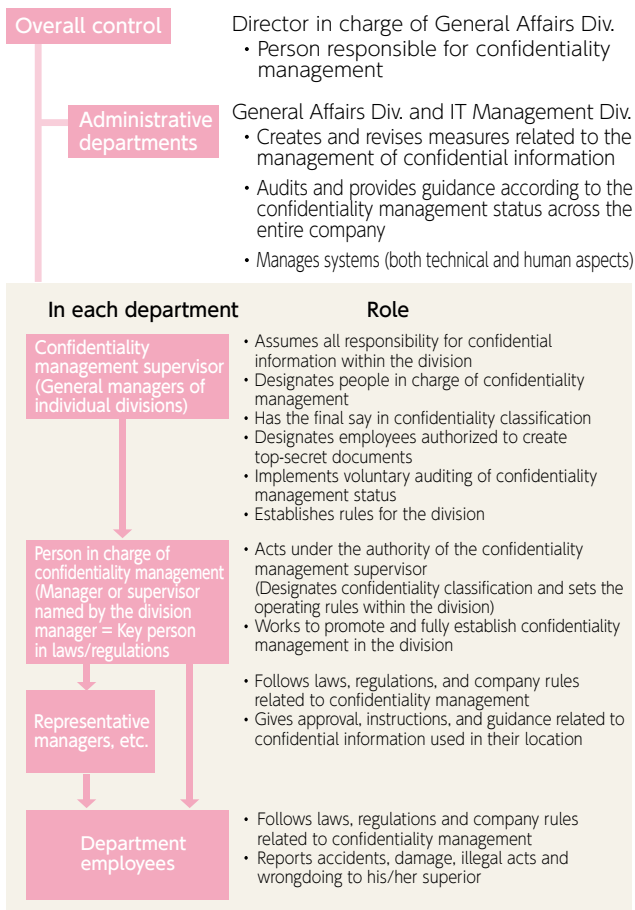
We have established the following rules to control confidentiality and prevent leakages of personal information.

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

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

Information security promotion system

Management system and roles of each department



Information security

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

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

The ATSG have also been rolled out to Group companies, and efforts made to enhance information security across the entire Aichi Group.

Information audit results

Auditing of e-mails	Cases detected: 7	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: 6	Incomplete permit application

Education on information security

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

Incidents involving information leaks occurring in society at large have also been categorized into specific patterns, and their respective risks outlined in legal news distributed to employees as a way of educating them about how to prevent similar incidents.

Pattern of Information Security Incidents

	Malicious conduct	Violation of rule	Negligence
External factor	Unauthorized access (hacking) Computer virus infection Theft	—	Negligence by clients to which information has been disclosed
	Spying Corrupt practice	Home PC virus infection Theft during business trip	
Internal factor	Illegal acquisition Information trading	—	Loss and misplacement Erroneous transmission

Human Rights and Working Practices

We respect the rights of each one of our employees so that diverse ranges of people can maximize their capabilities in their work, regardless of their nationality, age and sex.



Respecting human rights

Basic policy

Aichi Steel is working to promote measures designed to raise employees' motivation and morale to encourage the creation of a workplace environment that enables employees to get fulfillment from their work and bring out their individual abilities to the utmost through the planning, development and implementation of various measures aimed to secure and develop human resources who can contribute to the global management of our company and ensure they are allocated in the right positions and utilized effectively.

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 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.

Labor composition (fiscal year)

Fiscal year	2010	2011	2012	2013	2014
Total workers (persons)	2,360	2,367	2,369	2,383	2,409
Managers (persons)	269	268	286	279	284
Male (persons)	2,244	2,243	2,236	2,239	2,256
Female (persons)	116	124	133	144	153
Foreign workers (female) (persons)	9(3)	10(3)	10(3)	10(3)	10(3)
Average age (years)	39.7	39.9	39.8	39.7	39.6
Average service (years)	20.1	20.3	20.1	19.7	19.4
Turnover rate (%)	0.3	0.8	0.4	0.8	0.4
Voluntary resignation for personal reasons (persons)	8	10	12	20	12
New graduates employed (female) (persons)	53(3)	61(5)	66(5)	66(10)	69(12)

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 (hot)" line is in place, ready for use by employees for consultation concerning human rights.

Efforts to reduce total working hours

Dialogue and cooperation have been promoted between labor and management to create a working environment that is friendlier to workers and helps enrich their lives. In labor-management discussions in fiscal 2014, we confirmed efforts to reduce overtime hours and increase the usage of paid vacation days.

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

Fiscal year	2010	2011	2012	2013	2014
Hours	1,948	2,124	2,145	2,180	2,195

Usage of annual paid vacations

Fiscal year	2010	2011	2012	2013	2014
Usage rate (%)	46.0	48.5	48.8	47.0	50.0

Usage rate against the standard 20 days granted

Efforts for diversity

Promoting more active roles for women in the workplace

Since fiscal 2010, Aichi Steel has been working to expand the availability of workplaces in which female technicians can play a more active role. By improving workplaces through the addition of company facilities that benefits employees and so on, we are improving our normally male-dominated plants to make them more comfortable environments for women, and expanding the number of women hired for and assigned to professional positions.

Usage of the Nice Family System

Fiscal year	2010	2011	2012	2013	2014
Child care leave (male) (persons)	4(1)	5	9	10	5
Shorter work hours (male) (persons)	10(1)	5	4	5	10

Number of persons who started using the system per year



Post-retirement reemployment system

We have in place a Nice Senior System, which allows employees who are willing to work after retirement to continue working until they begin receiving their pensions. As of the end of March 2015, a total of 99 reemployed staff are working at Aichi Steel, contributing their advanced skills in various workplaces while working to pass on their skills to help improve younger employees.

We will work to further improve working conditions for reemployed individuals, while encouraging our young employees to build healthy bodies so they can continue to be strong workers until aged 65.

Registrants for the Nice Senior System

Fiscal year	2010	2011	2012	2013	2014
Nice Seniors (persons)	51	49	47	101	99

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



Promoting employment of the disabled

We have employees with disabilities working in various positions in our manufacturing and administrative divisions. To ensure they are assigned to workplaces that suit their individual capabilities, we encourage more workplaces to be open to employing disabled persons, and welcome them to visit prospective workplaces for orientation. In fiscal 2014, we conducted regular recruitment of three individuals, and invited teachers from special needs schools to hold a workshop for the workplaces accepting those individuals.

While we have already achieved the 2.0% statutory employment rate for the disabled, we continue our efforts to develop workplaces capable of accepting more disabled individuals.

Employment of persons with disabilities

Fiscal year	2010	2011	2012	2013	2014
Employees with disabilities (persons)	35	40	50	44	47
Employment rate (%)	1.6*	1.8	2.1	2.3	2.3
Achievement status of the statutory employment rate (%)	92.1	100	100	100	100

* The employment rate decreased in fiscal 2010 following the lowering of the exclusion rate by 10%.

Human resources development

Efforts for global human resources development

Aichi Steel focuses on the development of human resources capable of playing active roles globally as well as development of local staff overseas where Aichi Steel operates. We encourage mainly young employees to improve their language skills, through such initiatives as our annual dispatch of two or three junior employees to overseas subsidiaries as part of our Overseas

Trainee (OT) program. In fiscal 2014, we offered three types of OT courses with durations of six months, three months and two weeks, through which we decided to dispatch six young employees overseas.

We will continue to seek more participants from a wider range of jobs for our overseas program for young employees.

VOICE

Voice from OT participant (who had training at AFU)

Engineering Office, Forging Plant **Masaya Matsukawa**

As this was my first time living overseas, I was endlessly worried and nervous, but thanks to the support of many people, I was able to learn the value-and the fun-of working overseas through my training in the U.S. Language problems made things difficult at first, but as I gradually improved, I was able to communicate with the local staff. As forging plant operations expand globally, I hope to take advantage of my OT training experience in a broad range of endeavors.



With a local supervisor at AFU.

Global meeting

Since fiscal 2012, the Aichi Steel Group has held an annual "Aichi Global Meeting," with the goal of further strengthening ties between our domestic and overseas group companies and promoting their autonomy. These meetings, where Aichi Steel Group company presidents and local employees from within Japan and abroad can get together and exchange ideas, are part of our effort towards globalization on both the hard (things) and soft (people) sides of our business.

At the fiscal 2014 meeting, we shared the Aichi Group Vision 2020, formulated in February 2014, and held group discussions concerning the vision proposals from each of our overseas sites. Other lively talks covered new concerns, issues and the direction we should be taking, as participants worked not only to deepen their mutual understanding, but to cultivate a sense of solidarity.

By raising the level of these discussions each year, further enhancing cohesion within the Group, and by further revitalizing human resource development and exchange, we will work to strengthen our consolidated management capabilities.



Global seminar

Aichi Steel offers a continuing series of global seminars, led by officers and employees with overseas experience. These seminars offer participants an opportunity to learn from their seniors the appeal of working with colleagues from overseas, and the skills they will need to acquire while they are young. At each session, a specific site is covered by a selected instructor, ensuring that participants gain an understanding of the kind of work done by each overseas site and their respective cultural characteristics. Everyone learns together, and the seminars are designed to give participants an increasingly global understanding with each session they attend.



Employee health & safety

Basic policy

Basic labor safety/ health concept

1. Strengthening of "heart, mind, and body"

Heart: Strong belief in and awareness of pursuing safety

Mind: Careful observation and thorough investigation of true causes

Body: Powerful actions, dedicated efforts

2. Clarification

Clarifying problems (negative issues, poor conditions)

Clarifying good points (improvement cases, knowledge, experiences)

Clarifying standards, changes, or other status

Basis of activities

Consistently focusing on comprehensive safety and health management, aiming to achieve "zero accidents in all workplaces throughout Aichi."

Health-promotion efforts

With the slogan "Strengthening of heart, mind and body," Aichi Steel Group is focused on maintaining and promoting the health of the entire Group workforce with concerted efforts by industrial physicians, public health nurses, nurses and health management staff. In fiscal 2014, we promoted systematic efforts with a priority on mental health, lifestyle-related disease prevention and health management support for employees dispatched overseas, along with new activities to help build physical strength.

Mental health activities (Promotion of measures to improve communication skills)

Mental health risks are growing as our work becomes increasingly sophisticated and detailed. In this environment, Aichi Steel Group is working to maintain the mental health of its employees and prevent the development of mental issues, through various educational programs and individualized mental health care based on the results of stress checks. In fiscal 2014, we implemented the first workplace diagnoses based on stress checks, and in workplaces with a higher risk, offered advice on improvements. We also collaborated with mental health consultants to offer ongoing on-site consultation to ensure early detection and care of employees with mental issues. We will continue working with mental health managers to promote the creation of open, candid workplace environments, helping to prevent mental health issues and ensure their early detection and care when they do arise.

Follow-up meetings by top-level safety managers

We conduct monthly follow-up meetings to assess the status of our workplace safety policies, working to eliminate serious accidents and accidents resulting in lost work time, expanding those efforts company-wide to include in-plant business operators.



Frequency of accidents and work time loss

Special safety activities are now underway company-wide following two serious accidents that occurred in our plants in March and April of last year. Improvements have been made to highly risky work that could lead to a serious accident, and procedural manuals (rules) have been created and reviewed. We have strengthened communication with in-plant operators, and reviewed support systems to make it easier for any issues to be brought up. In addition, top managers of in-plant operators hold monthly Safety Brush-up Seminars as they work to improve safety levels.

Frequency of accidents and work time loss



Creation of safe worksites

We continued our efforts to create safe worksites, working to ensure safety in the workplace by ranking worksites according to risk assessments, and attempting to eliminate C and D rankings, the highest danger levels. We have developed and are implementing a three-year plan to address individual accident factors, and in fiscal 2014, as in the previous year, we tackled risks of being trapped or caught in equipment, the separation of people and vehicles, and prevention of electric shocks. We have also added prevention of explosions, based on disasters at competitors, and are moving forward with improvements to equipment to enable detection of abnormalities and remote operation.

Creation of safety-conscious human resources through hands-on training

As part of our efforts to enhance employee awareness of labor safety, we have created a facility for simulating danger, where employees can gain firsthand experience with the potential risks of day-to-day operations. Using dummy equipment to demonstrate the variety of dangers that can arise in the workplace, we work to enhance employee sensitivity to danger. About 700 employees took part in this training in fiscal 2014, but we are working to increase that rate by establishing a graded certification system. We have also begun offering an on-site "traveling facility" to bring the same experience to plants in more distant locations.

Quality Improvement

Aiming to be an integrated forging and steelmaking company that provides the world's best quality, Aichi Steel works closely with its business partners to pursue high quality and gain our clients' trust in our products globally.



Quality management system (QMS)

Basic stance

<Basic Policy>

In accordance with our policy of "Quality First," we will strive to maintain a business structure based on ISO 9001 that gains customer trust and enables us to deliver attractive products that meet expectations and needs.

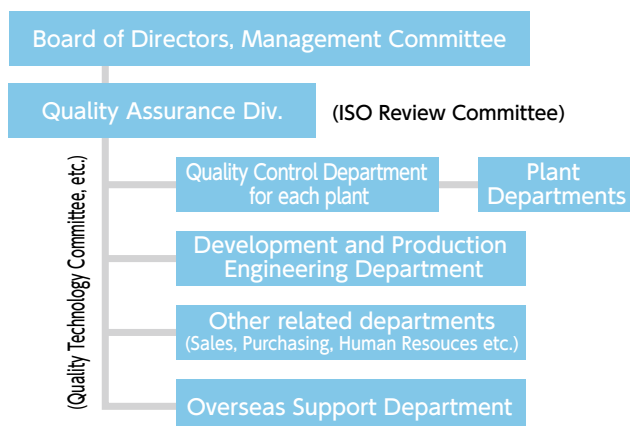
Under our long-term Quality Vision 2017, we will strive for a united company-wide effort to maintain a quality assurance system that keeps us in the lead over other companies in quality competition.

Long-term Quality Vision 2017

Becoming an integrated forging and steelmaking company that provides the world's best quality
-Gaining customer's trusts on a global scale-

- 1) Achieving a higher level of quality assurance by improving company-wide quality awareness
- 2) Strengthening global quality assurance system
- 3) Promoting Total Quality Management (TQM) to build personnel familiar with quality

Quality Assurance System



Certification by third-party organizations

Acquisition status of Quality ISO certification

- 1) Steel materials and forgings
 - 16th periodic review for ISO 9001 certification (September)
- 2) Electromagnetic products
 - Periodic review for ISO 9001 certification (February)
 - Periodic review for ISO 13485 (medical devices) certification (February)

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
Aichi Techno Metal Fukaumi	ISO9001	March 2013
AFC	ISO9001	April 2003
SAFC	ISO/TS16949	August 2006
AIT	ISO/TS16949	March 2008
AFI	ISO9001	November 2008
AFU	ISO/TS16949	September 2009

In addition to ISO 9001 certification, we have also obtained other third-party quality certifications based on our QMS. We are assessed on an annual or three-year basis for review of these certifications.

- New JIS mark (by JICQA)
- Marks issued by shipping classification associations: NK, LR, GL, DNV, KR, CCS (recertified in December), CR
- TÜV (Mark issued by Germany's Technical Inspection Association, recertified in May)
- Medical Devices Directives [MDD Annex v.3.2] (recertified in February)

VOICE

Working together to build "Made in Japan" quality

NHK SPRING Co., Ltd. is Japan's largest manufacturer and supplier of leaf springs. We share a common destiny with Aichi Steel, which supplies the specialized flat spring steel that goes into our products. We are constantly grateful for their willingness to develop superior leaf spring materials, their detailed response to our production needs, their ability to offer a steady supply of material and their positive approach to quality assurance. We also look forward to their support for both quality and pricing for the growing overseas market, and to continuing to further strengthen our relationship as we work to make "Made in Japan" quality number one in the world.



Hideto Enomoto, Corporate Officer
Vice President, Suspension Spring Div.
NHK SPRING Co.,LTD.

Quality month activities

November in Japan has been designated Quality Month. To deliver outstanding quality to customers at the next process, we have established a Quality Rally (to share quality cases among departments), events and exhibitions. We also have a QC Circle Convention to nurture quality consciousness.

Global quality assurance activities

Auditors specializing in quality assurance are regularly sent to overseas sites to strengthen quality assurance systems at overseas plants. They provide overseas sites and contract manufacturing sites with auditing and guidance regarding quality assurance systems, train quality assurance for people in charge, and share examples of quality improvements made by Group companies in Japan.

Aichi Steel receives Outstanding Supplier Award

Aichi Steel's Electronic Components plant received the Best Supplier Award at the 19th Supplier Quality Improvement Liaison Council sponsored by Toyota Motor Corporation's Hirose Plant. The award was recognized two products we deliver to the Hirose Plant: cold plate and alloy pads. The Best Supplier Award is given to suppliers who go an entire year with zero defective products at the Hirose Plant, and takes us a rank above the award of excellence we received in fiscal 2013 from Toyota Motor Corporation, awarded to suppliers who produce defects below a targeted number. We will continue to work to improve quality, with the goal of winning the Best Supplier Award (three consecutive years with zero defects) and the Quality Honor Award (four or more consecutive years).

Gathering evaluations from customers

We keep and manage a database in which reports of product defects or requests from customers, status of investigations and feedbacks to relevant customers are stored. This database not only prevents repeated complaints, but also enables us to identify the true cause of those complaints (trouble arising from unsuitable products within contracted specifications), and helps us work to quickly discover areas where we can improve internally.

Training programs for sales staff

Primarily focusing on newly-assigned and younger/mid-level employees, we have expanded curriculum aimed at further enhancement of skills, and strengthened our educational offerings from outside lecturers. Furthermore the branch offices and the Sales Division are working toward our stated goal of strengthening individuals and strengthening our systems.

Aichi Steel purchasing policy

Purchasing through sound corporate activities

- Global, open and fair transactions
- Mutual growth based on mutual trust
- Legal compliance
- Green Procurement Activities

Fair transactions

To promote fair and proper transactions and ensure stable supply, we will strive to proactively make improvements using internal and external audit systems. We purchase mineral resources after investigating whether they are target conflict minerals, and confirm that our purchases do not include conflict minerals.

Green purchasing

We actively pursue green purchasing by employing our own Green Purchasing Guidelines to purchase environmentally-friendly products and services from suppliers who pay attention to global environmental protection. We have recently promoted green purchasing with a special emphasis on the 3Rs (reduce, reuse and recycle) of resources and the reduction of CO₂ emissions.

Supply chain CSR

We have been promoting CSR activities 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.)

VOICE

Corporate Social Responsibility (CSR) across the entire supply chain

We look forward to Aichi Steel continuing to provide us, its suppliers, with information about and appropriate guidance regarding its CSR initiatives. We believe that working as one with suppliers on CSR efforts enables sharing of a healthy corporate culture, and ensures the fulfillment of corporate social responsibilities across the entire supply chain.



Masaharu Noguchi President,
AIHO SHOJI Co., LTD.
The president of "Houkoukai",
the suppliers association.

With Community and Society

Being conscious of our role as a "good corporate citizen," we will positively participate in social contribution activities and continue to place increasing emphasis on interacting with local communities.



Social contribution policy

Basic Policy

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

Promotion System

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



*In Fiscal 2010, single-year charity events were held.

Clean (Beautification, safety, security)

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 2014, the campaign was conducted six times. A total of 157 people from every worksite and in-plant business operators participated in the cleaning.



Clean Aichi Day

Hold in Oct since 2009, Clean Aichi Day program is one of Aichi Steel Group's, CSR Enhancement Month activities, 800 people including employees from our subsidiaries in Japan and abroad, cleaned up the neighborhoods around their sites.



Traffic Safety Awareness

Continuing "Zero Day" patrols

To increase traffic safety awareness, Aichi Steel Group continues to conduct "Zero Day" safety patrols at each of its sites. In fiscal 2014, these patrols were held 88 times, with a total of 1,925 employees participating prior to starting work.



VOICE

Looking forward to ongoing CSR activities

Masashi Hohdatsu,
Business Representative
Tokai Social Welfare Council

This council is responsible for developing a community that offers social services to enable everyone to lead a secure life, and "connections" are an important asset in promoting those efforts. Aichi Steel also places great value on community connections in its local activities that contribute through donations and volunteering. We hope that we can continue to promote our community development efforts through our connection with Aichi Steel.

Green (greening and environmental conservation)

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, seasonal flowers help local people feel refreshed and relaxed.



Creative (education and culture)

“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 Fiscal 2014, the lesson was provided to all the elementary schools (34 classes of 12 schools) in the city of Tokai, Aichi Prefecture. (Sep./Oct./Feb.)

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.



Volunteer support

Activities of the Aichi Steel Volunteer Fund

In Fiscal 2014, the Aichi Steel Volunteer Fund established in 1993, donated charity gifts worth about 2.40 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.



Activities of the Aichi Steel Volunteer Fund in fiscal 2014

Organizations	Charity gifts
Akatsuki Gakuen Children's Foster Home (Tokai City)	2 refrigerators, 2 washing machines, 2 cleaners, 2 vacuum cleaners, 2 microwave ovens
Chita Social Welfare Organization (Chita City) Nagomien Welfare Activity Center Yamamoto No. 1/No. 2 (2 times since fiscal 2009)	11 cassettes, 11 cook's coats, 7 aprons, 2 cleaners 1 adjustable table
Satsuki Social Welfare Organization (Tokai City)	1 child's playset, one set of kitchen tools
Kusunoki Workshop for the Handicapped (Higashiura-cho)	7 food trays, 1 sewing machine
Japan Blind Tennis Federation (Nagoya City)	Blind tennis balls
Oumei Yonza (Tokai City)	1 set of costumes for choir performances
Tokai Social Welfare Council	1 TV/DVR set for use during disasters
NPO Daikon-no-Hana (Chita City)	1 freezer
The Chunichi Shimbun Community Service Association, others	Donation to the Tohoku Recovery Support Fund

“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 453 directors and employees who supported the program's purpose have participated in this donation program (as of March 31, 2015).

Volunteer work to assist victims of the Great East Japan Earthquake

Since Fiscal 2011, at the request of Kyohokai, an association consisting of suppliers of the Toyota Group and Toyota Group companies, we have been collecting 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, 50 employees worked together and collected 62 disused cellular phones, 269 spoiled postcards, postage stamps worth ¥9,070, prepaid phone cards worth ¥12,500, and Bellmarks worth 2,067.3 points.



Interaction with the community

Participation community meetings

Community meetings are held every year in the cities of Tokai and Kariya (in April and September respectively), and we promote exchanges with residents of the local communities and proactively participate in a variety of local volunteer activities.

We also support activities involving festivals, sports days and other local events in the communities surrounding our sites, and dispatch employees to assist with the operation of those events. We also invite local residents to events held at our headquarters and plants, and work to encourage interaction with our employees.



Environment

As a resource-recycling corporation that effectively uses limited resources, our entire company participates in environmental activities to make the most efficient use of limited resources.



Environment Management

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.

Environment management promotion organization

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.

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.

Educating internal environment auditors

Fiscal year 2014 saw the certification of 15 new internal environment auditors who support the efficient operation of the environmental management system, making a total of 219. We also conduct internal environmental auditor education for employees scheduled for overseas dispatch on an as-needed basis.

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.

Audit results

The results of the FY 2014 internal audit and the surveillance audit of the environment management system were as follows. There were no major non-conformance issues.

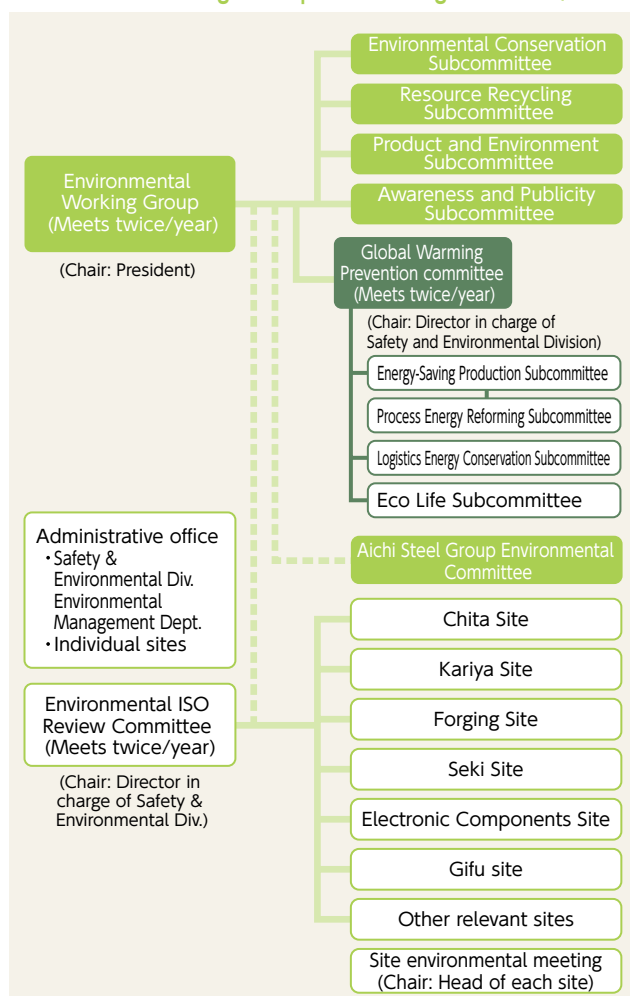
Results of internal audits

Classification	2010	2011	2012	2013	2014
Major non-conformance (incidents)	0	0	0	0	0
Minor non-conformance (incidents/department)	0.63	0.47	0.38	0.28	0.17

Results of audits by external auditors

Classification	2010	2011	2012	2013	2014
Minor non-conformance (incidents)	0	1	1	0	1
Opportunities for improvement and incident classifications (incidents/department)	14	23	32	24	17
	0.58	1.1	0.8	1.04	0.81

Environmental management promotion organizations (FY2014)



ISO certification status

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
	Aichi Techno Metal Fukaumi	December 2010
	Overseas	AFU
AIT		November 2006
SAFC		December 2009
AFI		May 2010
AFC		January 2012
AMC		Under consideration

Environmental conservation costs

(Unit: Million yen)

Classification	Major efforts and their effects	Cost
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	4,670
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	310
Environmental conservation costs arising from our R&D activities (R&D costs)	Research costs for environmental conservation	6
Environmental conservation costs arising from our social-relation activities (Social-relation costs)	Site greening and industrial road cleaning activities	28
Costs directly required for reducing environmental burdens	Share of cost of pollution levy	41
		Total 5,055

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 – Action Items and Results

Theme	Action item	Target(s)	Major efforts	Results	Results	
Three Pillars	Reduction of environmental burdens Products	1. Promotion of environmental activities in coordination with business partners	<ul style="list-style-type: none"> Promote and adopt proposals for green purchasing. Strengthening efforts at VA Exhibit (October 2014) 	<ul style="list-style-type: none"> Emphasis on 3Rs, logistics improvements 8.4 proposals/month 	△1	
		2. Development of technologies to reduce substances of environmental concern	<ul style="list-style-type: none"> Promote environment-related themes in the medium-term plan for engineering departments. 	<ul style="list-style-type: none"> Follow-up on theme progress 	○	
		3. Enhanced control of environmental burdens for each product	<ul style="list-style-type: none"> Flow of check function when purchasing environmentally hazardous substances 	<ul style="list-style-type: none"> Ongoing flow of environmental safety check function for environmentally hazardous substances in the procurement system 	△2	
		4. Development of eco-friendly products that reduce CO ₂ emissions by our customers	<ul style="list-style-type: none"> Promotion of eco-friendly related themes in the medium-term plans 	<ul style="list-style-type: none"> Follow-up on theme progress 	○	
	Promotion of a low-carbon society	5. Thorough implementation of energy conservation practices in production activities	Based on internal goals in fiscal 2013	<ul style="list-style-type: none"> Accumulate and execute energy conservation improvement activities Promote improvement in the departments using large amounts of energy 	1,000 t-CO ₂ /year CO ₂ emissions ↓ Good 	×3
		6. Seeking better transportation efficiency in logistics	8% reduction of emission volume per transportation unit in 2013 from the 2006 level	<ul style="list-style-type: none"> Implementing reduced traffic lines Eliminating backflow and redundant stock points 	kg-CO ₂ /t Unit CO ₂ 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 Internal goal (Based on direct and indirect landfill)	<ul style="list-style-type: none"> Continue zero landfill volume in accordance with fluorine-containing slag regulations Begin outsourcing of disposal of hard-to-sort bricks, etc. Begin developing new outsourcers for disposal of acid sludge. 	1,000 t/year Landfill volume in correspondence with fluorine-containing slag regulations ↓ Good 	△4
		8. Promotion of projects that benefit resource-recycling corporations	—	<ul style="list-style-type: none"> Effective reuse of metal scrap from Toyota Group 		○
	Environmental management	9. Promotion of activities for "zero abnormalities/complaints" Zero abnormalities/complaints	Abnormalities/complaints: 0/year	<ul style="list-style-type: none"> Implement strict management to achieve 80% or below of regulation values set by environment-related laws. Promote preventive activities (enhance GK). 	<ul style="list-style-type: none"> "Environment Close Call" was adopted. 	○
		10. Enhancement of consolidated environmental management	—	<ul style="list-style-type: none"> Promote on-site monitoring through Brush-Up Seminars. Environment audit of domestic affiliates by safety/environment manager 	<ul style="list-style-type: none"> Ongoing brush-up seminars held with domestic affiliates. Continue with environment audits 	○
11. Promotion of global CO ₂ management		—	<ul style="list-style-type: none"> Require all group subsidiaries to report their energy consumption volume. 	<ul style="list-style-type: none"> Completed, including at overseas offices 	○	
Social contribution		12. Promotion of biodiversity	—	<ul style="list-style-type: none"> Participate in NPO-led forest preservation activities and the city of Tokai forestation project. Promote the "Forestation to Create a Forest for Beetles" 	<ul style="list-style-type: none"> Participate in forest preservation activities (May, June, September) "Forestation to Create a Forest for Beetles" event (November) 	○
		13. Enhancement and promotion of environmental education activities	—	<ul style="list-style-type: none"> Enhance education programs. Increase environmental consciousness through environmental news, etc. 	<ul style="list-style-type: none"> Classified education continued and internal auditors increased. Environmental seminars were held.(June) 	○
		14. Active disclosure of environmental information and enhanced communication activities	—	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Exhibiting at the "Automotive Engineering Exposition" (May) English version of Aichi Steel Report: issued in Nov. (Disclosed publicly in PDF (on the web)) Round-table conferences with the press (4 times) Head office (October) · Kariya (December) 	○
		15. Revitalization of regional contribution activities	—	<ul style="list-style-type: none"> Increase participants in Clean Aichi Day. Demonstrate environmental activities through in-house publications and News a la carte. 	<ul style="list-style-type: none"> Participants in Expanded Clean Aichi Day: 903 Environment-related information was provided through in-house publications and News a la carte. 	○

1 Will continue to promote emphasis on CO₂ reduction, a priority theme 2 No operational track record, will require ongoing follow-up 3 Will work to achieve targets on an energy conservation basis 4 Continuing search for safe, secure outsourcers

Prevention of Global Warming

FY2014 targets and results

Based on Environmental Action Plan 2015, we pursued a 10% reduction compared to 1990 levels until fiscal 2012, a figure higher than the Kyoto Protocol target. From Fiscal 2013, the internal goal was set at 1% reduced emission per production volume from the previous year.

Item	FY 2015 target (internal)	Result
CO ₂ emissions	629,000 t-CO ₂ /year	654,000 t-CO ₂ /year

Energy conservation in offices

We have promoted energy conservation activities in our offices since 2008. In fiscal 2014, the following activities were conducted.

1. Summer/winter measures to reduce electricity consumption

- Promoting Cool Biz activities (Temperature set to 28°C)
- Promoting Warm Biz activities (Temperature set to 19°C)
- Shift to LED lighting on second floor of administrative headquarters and first floor sales office.



Electricity consumption has halved and 4.8 tons of CO₂ reduction per year is expected.

2. Making electricity use visible

- Air conditioners at administrative headquarters offices automatically shut down at 7:30 p.m.
- Monthly energy consumption measured.
- Target was a 12/t reduction in CO₂/year compared to fiscal 2013, actual reduction was 44/t of CO₂/year.

3. Other

- Joint energy-conservation patrol by all members of the eco-life promotion committee (March)
- In-house publications for Environment Month (June) and Energy Conservation Month (February)

Collection of customer evaluations

In accordance with the Energy Saving Act revised in April 2006¹, we have been working on environmental improvement activities through the structuring of an efficient environmentally-friendly logistics system after understanding the flow of distribution and reviewing issues. Aichi Steel has established an internal goal of a 15% reduction in specific CO₂ emissions during logistics from 2006 to 2015.

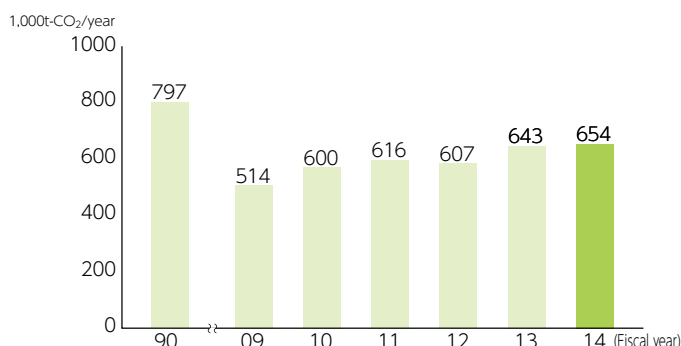
In "M3 Shipping Cost Activity²," the flow of products after shipment is visualized to achieve the goal by promoting logistics reform from the perspective of "reverse flow," "double storage" and "two-dimensional distribution."

In fiscal 2014, we achieved a 3% reduction in specific CO₂ emissions from the previous year.

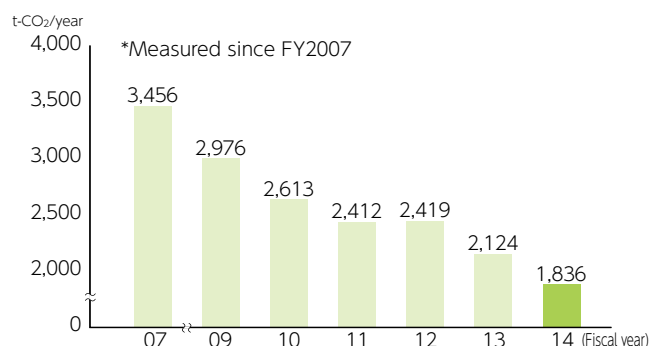
¹ Revised Energy Saving Act: Shippers are obligated to establish plans for a 1% reduction in specific CO₂ emissions and the reporting of specific output level on a regular basis

² M3 shipping cost activity: Visualization of product shipping routes and costs to reduce distribution cost

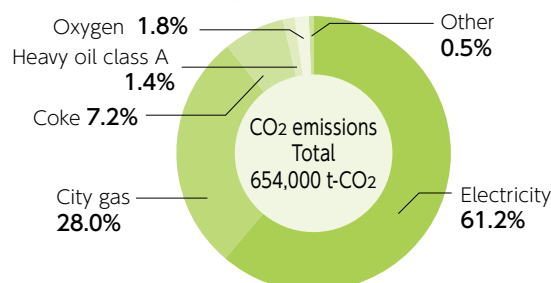
Total CO₂ emissions



CO₂ emissions from administrative divisions



Breakdown of energy used in FY2014 (CO₂ emissions)



CO₂ Balance

FY2013 emissions	643,000 t-CO ₂ /year
FY2014 emissions	654,000 t-CO ₂ /year

Breakdown of increases versus FY13

Increase due to more production	3,000 t-CO ₂ /year
Areas of improvement (A) -Increasing factors (B)	8,000 t-CO ₂ /year
Total	11,000 t-CO ₂ /year

Improvements (A)

1. Improved energy efficiency of electric furnaces	9,000 t-CO ₂ /year
2. Energy conservation of hot rolling furnaces	5,000 t-CO ₂ /year
3. Fuel conversion for stainless steel furnaces	3,000 t-CO ₂ /year
4. Efficiency improvements in forging furnaces (IH furnaces)	7,000 t-CO ₂ /year
Total	19,000 t-CO ₂ /year

Change Factors (B)

1. Change in steelmaking processes (production of purchased slab brought in-house)	11,000 t-CO ₂ /year
2. Change in steelmaking operations (Reduction in melting times for No.3 electric furnace (rectified with CC))	16,000 t-CO ₂ /year
Total	27,000 t-CO ₂ /year

3R (Resource Recycling)

Basic approach

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

Fiscal 2014 targets and results

In fiscal 2014, we complied with Aichi Prefecture guidelines for the appropriate use of recyclable resources, and promoted a reduction in waste and increased recycling. As a result, through outsourcing the processing of waste bricks, etc. to a new recycler, we were able to reduce direct landfill in comparison to fiscal 2013, but because of a reduction in the volume of sludge recycling and other indirect landfill by our recycling outsourcer, we were unable to meet our target.

We intend to further pursue and strengthen management of the sorting and separating of by-products at the point of origin, move forward with the development of recycling technology, and work to make effective use of resources.

Item	FY2014 target	Results
Direct landfill	2,760t or less/year	2,428t or less/year
Indirect landfill	3,600t or less/year	3,704t or less/year

High-strength abrasives from internal by-products: Construction of an AS Shot production facility

AS Shot is an environmentally friendly abrasive made from electric furnace slag, a by-product generated by the company. Compared to conventional products, it generates less dust and can be used repeatedly. As a high value-added product made from slag, it is used in the foundation treatment for coating, removal of rust and die washing, and has received a positive response.

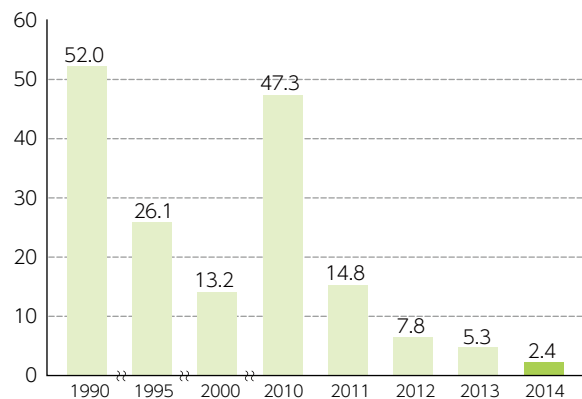
We expect that its use as a foundation process for blasting, to enable long-life coatings and improve durability, will increase. To respond to that need, we hope to establish mass production technologies, and expand sales as a result of our recycling technology.

Strengthening management of iron and steel slag products

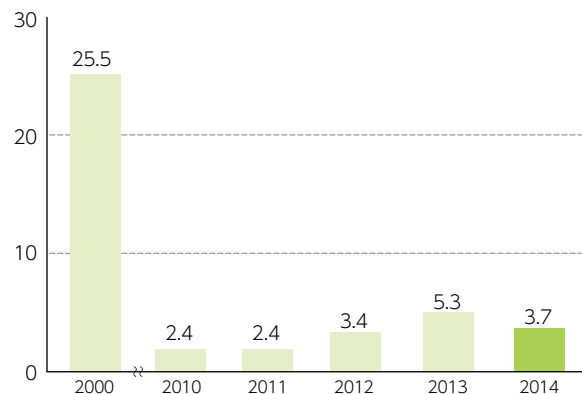
In January 2015, the Nippon Slag Association revised and strengthened its Guidelines for Management of Iron and Steel Slag Products, and we have completely revised our internal manuals as a result.

We will continue working to ensure the long-term reliability of our treatment of slag and all by-products through quality goal-keeping and processing capabilities.

Volume of direct landfilled waste (1,000 t/FY)



Volume of indirect landfilled waste (1,000t/FY)



VOICE

A strong sense of responsibility in contributing to environmental conservation

Aichi Steel works to ensure promotion of the 3Rs (Reduce, Reuse, Recycle) in handling by-products generated in-house, as a means of reducing environmental burdens. By-products are carefully separated before being shipped out, and also undergo strict inspection to verify that they meet emissions standards. We will continue this strict management as part of our contribution to environmental conservation.



Tsuyoshi Sugihara
Section Chief, Steelmaking
Section 1, Chita Plant

Biodiversity

Basic policy

We think that preservation of biodiversity, along with the prevention of global warming, is an important environmental issue that needs to be addressed to realize a sustainable society.

We understand the concept of COP10 (10th Conference of Parties of United Nations Conventions, Convention on Biological Diversity) and participate in activities to preserve biodiversity by

promoting the structuring of an ecosystem network through public and private sector cooperation, and fostering next-generation individuals capable of working to preserve the earth's environment. We have been working on forestation and volunteer employee activities, and will continue with projects to protect the ecosystem.

Forestation to create a forest for beetles

As part of our activities to promote sustainable biodiversity, we have established a goal of creating an environment in which beetles and other creatures can live in a natural cycle by forming a deciduous broadleaf forest, and have continued this "Forestation to Create a Forest for Beetles" project since 2012.

In fiscal 2014, to nurture the growth of acorn seedlings planted last year on the company's green belt, we weeded, fertilized and watered the plants. To maintain and expand these plantings, we also continued producing compost and collecting acorns for next year.

In November 2014, we invited the employees and their families who had participated in the previous year's tree planting to observe the progress in their growth, and they were able to see for themselves show the seedlings they'd planted with their own hands were developing.



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). 16 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.

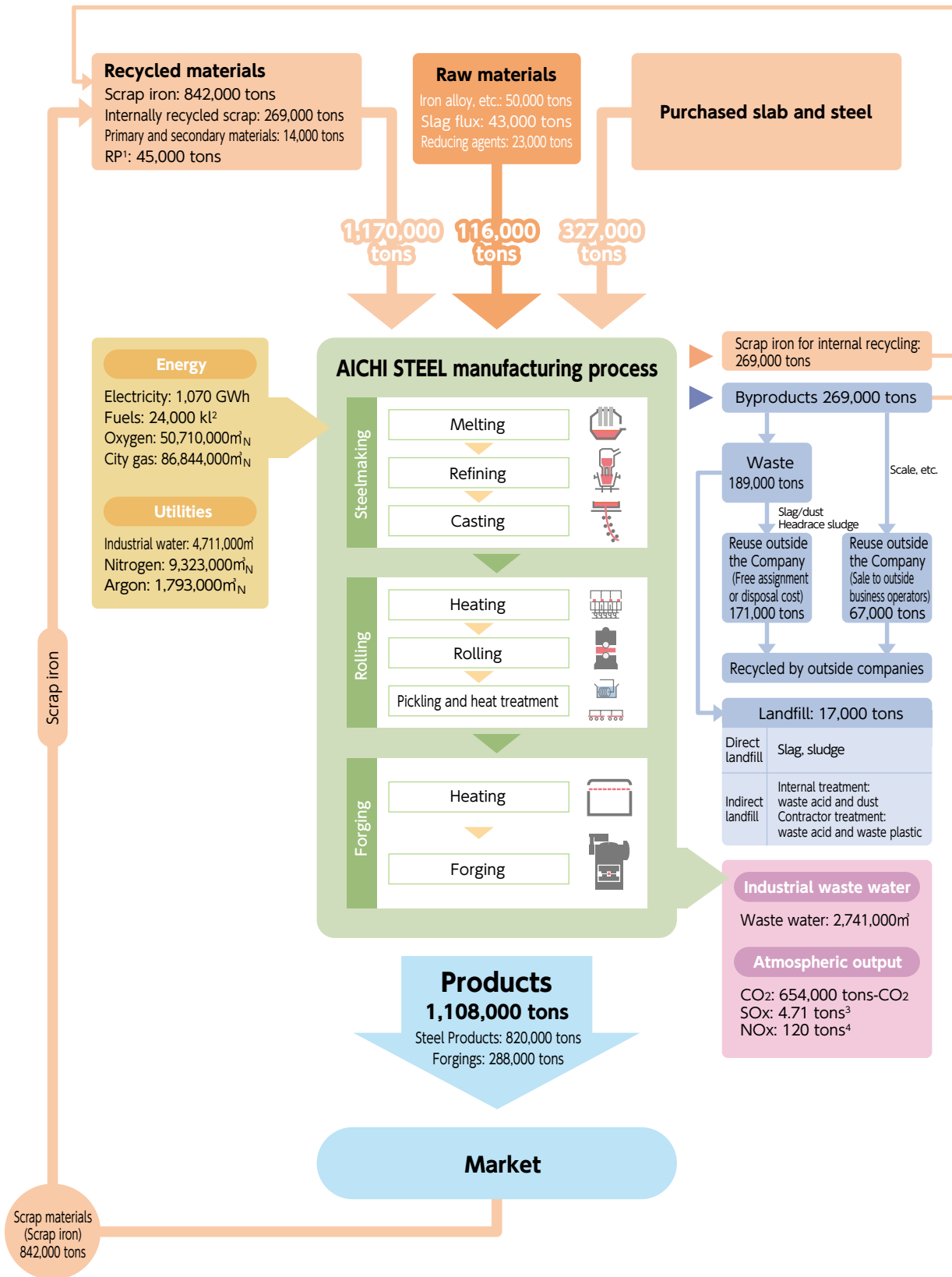


Forest-developing volunteers (Kiso Village, Nagano Prefecture)

Our company uses a large volume of water in the production of steel and supports the NPO "Green Challenger," which works to develop forests in Kiso Village in Nagano, where the headwater for Aichi water originates. Volunteers have been recruited among employees to work side-by-side with local residents in cutting and thinning work for forest cultivation twice per year since 2006.



Material Flow



1. RP: Recycled plastics
 2. Heavy oil equivalent
 3. Emissions from January to December 2014
 4. Emissions from April 2013 to March 2014

PRTR Data

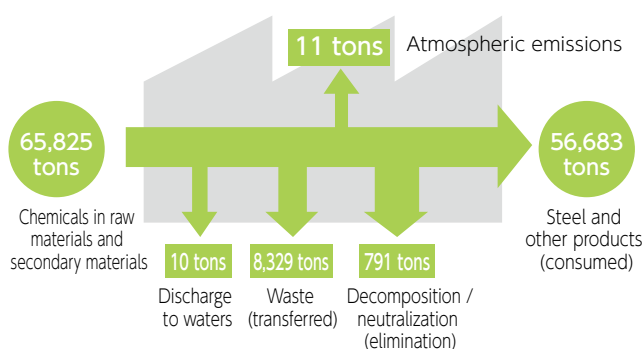
Results for Fiscal 2014

(Unit: tons)

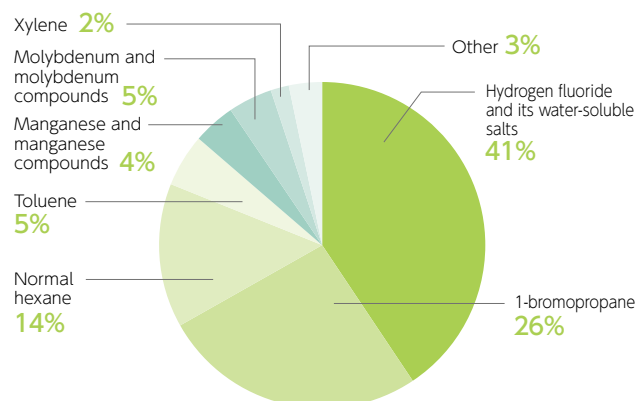
	Govt. ordinance No	Substance name	Amount handled	Discharged		Transferred
				Atmosphere	Water	Outside of premises (as waste, etc)
Chita and Forging Plants	1	Water-soluble zinc compound	1.9	-	0.100	0.540
	80	Xylene	2.4	0.380	-	-
	87	Chromium and trivalent chromium compounds	28000.0	0.170	-	2500.000
	132	Cobalt and cobalt compounds	140.0	-	-	1.800
	243	Dioxins	260.0	260.000	-	-
	300	Toluene	4.0	1.100	-	-
	304	Lead	93.0	-	-	-
	305	Lead compounds	280.0	0.260	-	230.000
	308	Nickel	5900.0	-	-	-
	309	Nickel compounds	830.0	0.034	0.044	41.000
	374	Hydrogen fluoride and its water-soluble salts	7.6	0.001	7.300	0.220
	384	1-bromopropane	7.7	5.500	-	2.100
	405	Boron and boron compounds	100.0	-	0.058	20.000
	412	Manganese and manganese compounds	20000.0	0.630	0.250	5400.000
	453	Molybdenum and molybdenum compounds	9200.0	0.007	0.700	0.370
Kariya Plant	87	Chromium and trivalent chromium compounds	770	-	0.011	61.000
	309	Nickel compounds	380	-	0.008	33.000
	374	Hydrogen fluoride and its water-soluble salts	91	0.033	1.200	37.000
	453	Molybdenum and molybdenum compounds	14	-	0.220	2.100
Higashiura Plant		Not subject to submission		—		
Gifu Plant		Not subject to submission		—		
Seki Plant	392	Normal hexane	3	3.000	-	-

- 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).
- Higashiura and Gifu plants not subject to submission

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 (Air Pollution Control Act/local regulations)

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	130	81.3
		150	26.4
		180	65.5
	Heating furnace	130	80.1
		150	32.4
		170	60.2
Soot	Boiler	180	69.3
		200	28.9
		0.15	0.001
	Heating furnace	0.08	0.003
		0.10	0.003
		0.20	0.003
Electric furnace	0.25	0.004	
	0.30	0.004	
	0.05	0.001	
SOx	(Total limit)	0.08	0.003
		0.10	0.001
		32.30	3.52

Kariya Plant (Air Pollution Control Act/local regulations)

Substance	Facility	Limit	Actual level (max)
NOx	Heating furnace	130	67.6
		150	70.1
		170	85.1
		200	52.8
SOx	(Total limit)	5.16	0.57

Higashiura Plant (Air Pollution Control Act/local regulations): No regulated facility

Gifu Plant (Air Pollution Control Act/local regulations)

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	150	79.0

Seki Plant (Air Pollution Control Act/local regulations): 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/m³N, SOx: m³N/h (total volume control as stipulated by the Air Pollution Control Act)

Water Quality Data

Chita and Forging Plants (Water Quality Pollution Control Act/local regulations)

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.7	6.7	7.2
COD	25(20)	12.4	3.6	5.5
SS	40(30)	4.5	Less than 0.5	1.0
Nitrogen	120(60)	7.2	0.5	2.3
Phosphorus	16(8)	0.1	Less than 0.1	0.10

Kariya Plant (Water Quality Pollution Control Act/local regulations)

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.3	6.5	6.8
BOD	25(20)	3.8	Less than 0.5	1.6
SS	40(30)	10.0	Less than 0.5	3.9
Nitrogen	120(60)	7.9	0.7	4.2
Phosphorus	16(8)	0.1	Less than 0.1	0.10

Higashiura Plant (Water Quality Pollution Control Act/local regulations)

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.1	6.7	6.9
BOD	25(20)	4.8	1.3	3.1
SS	30(20)	2.0	Less than 0.5	0.8
Nitrogen	120(60)	3.3	0.1	2.1
Phosphorus	16(8)	0.4	0.1	0.27

Gifu Plant (Water Quality Pollution Control Act/local regulations)

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.8	6.0	6.9
BOD	30(20)	1.2	1.1	1.2
SS	60(50)	5.0	Less than 0.5	1.2
Nitrogen	120(60)	15.2	0.6	5.0
Phosphorus	16(8)	1.9	Less than 0.1	0.32

- 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

Financial Section



Management's Discussion and Analysis of Financial Operations, and Results of Operations

Summary

During the consolidated fiscal year under review, the Japanese economy remained in a modest recovery phase overall, against the backdrop of government and Bank of Japan economic policies. However, the outlook for the economic environment continued to be opaque, due to factors such as the impact of the consumption tax hike, higher prices on imported raw materials due to steady yen depreciation and a rise in electricity rates.

Aichi Steel Group's production and sales volumes for mainstay specialty steel and forgings were down year on year, affected by the consumption tax hike and a sluggish recovery in demand outside the automotive industry, particularly for specialty steel used in construction equipment.

Under these conditions, we persevered in accordance with the slogan we introduced in fiscal 2014: "Return to the Basic with Innovative Manner." This means returning to our roots with

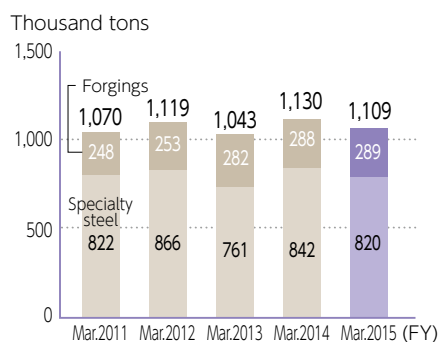
new ideas and working more aggressively to create new values.

These efforts resulted in consolidated net sales of 240,648 million yen, a 1.4% increase from the previous fiscal year (237,421 million yen).

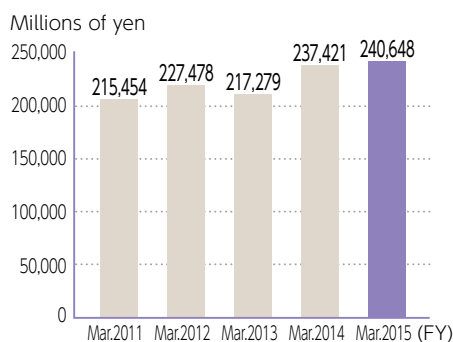
On the profit front, we experienced such negative factors as sharply higher electricity prices and ongoing yen depreciation. However, in addition to improved selling prices and lower costs on steel scrap we reduced cost of sales. Aichi Steel Group posted operating income of 10,616 million yen, a 10.3% increase from the previous fiscal year (9,627 million yen).

Also, ordinary income was 11,141 million yen, a 13.6% increase from the previous fiscal year (9,810 million yen), and net income was 6,023 million yen, a 9.5% increase from the previous fiscal year (5,503 million yen).

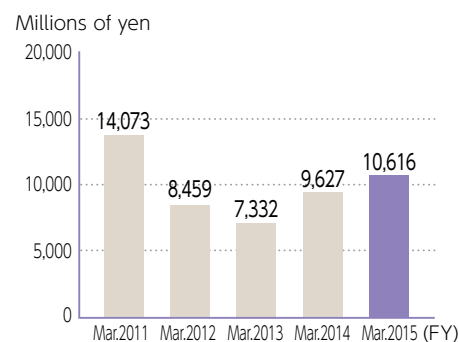
■ Sales volume (Non-consolidated basis)



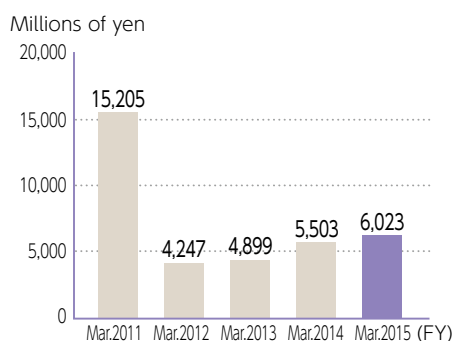
■ Net sales



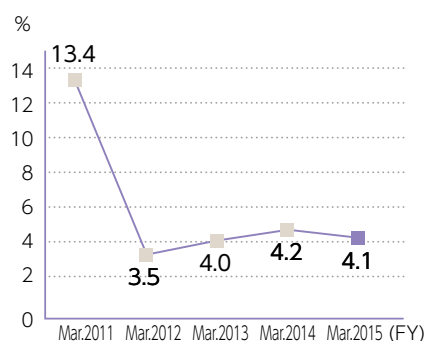
■ Operating income



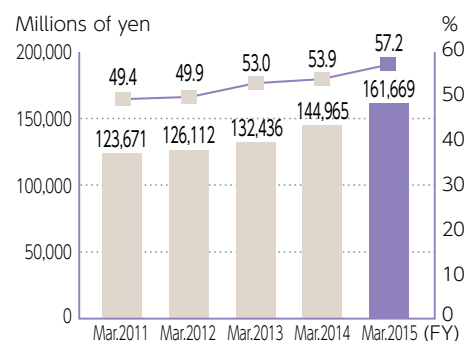
■ Net income



■ ROE



■ Net assets, capital adequacy ratio

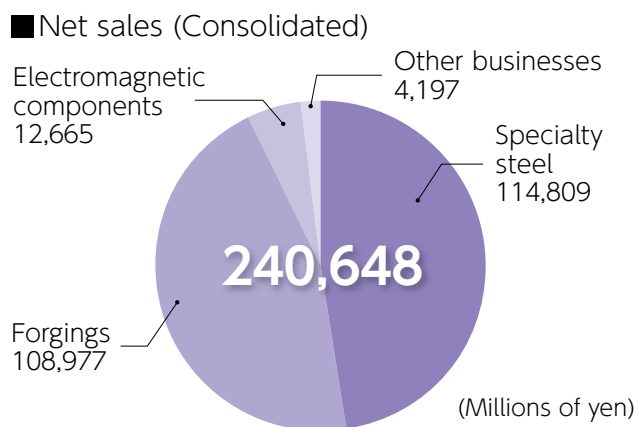


Operating Income and Net Income

Consolidated net sales rose 1.4% year on year, to 240,648 million yen. Cost of sales amounted to 208,023 million yen, with the cost of sales ratio improving 0.9 percentage point, from 87.3% to 86.4%. Selling, general and administrative expenses came to 22,009 million yen, accounting for 9.1% of net sales, compared with 8.7% in the previous fiscal year.

Consequently, operating income for the fiscal year under review amounted to 10,616 million yen. Net income was 6,023 million yen and ROE was 4.1%.

Sales by Business Segment



■ Specialty steel

Specialty steel is the mainstay product of Aichi Steel Group. During the fiscal year, specialty steel sales volume decreased, but the volume of stainless steel sales increased. In addition, selling prices on specialty steel and stainless steel improved. Net sales in this segment saw a 0.1% increase to 114,809 million yen for this consolidated fiscal year (114,670 million yen for the previous fiscal year).

■ Forgings

Closed-die forgings for automobiles account for a major part of this segment. Although overseas subsidiaries' sales volumes declined, sales increased due to the fluctuation of exchange rate translations, and selling prices improved. Net sales in this segment saw a 2.7% increase to 108,977 million yen for this consolidated fiscal year (106,141 million yen for the previous fiscal year).

■ Electromagnetic components

Aiming to turn this segment into the Company's core business in the future, Aichi Steel Group has been nurturing and promoting new industrial fields including sensors and magnetic products. Due to an increase in the sales volume of MAGFINE magnets, net sales in this segment saw a 0.2% increase to 12,665 million yen for this consolidated fiscal year (12,645 million yen for the previous fiscal year).

■ Other businesses

Aichi Steel's subsidiaries are involved in such business activities as providing services and engaging in computer software development. Net sales in this segment saw a 5.8% increase to 4,197 million yen for this consolidated fiscal year (3,966 million yen for the previous fiscal year).

Financial Position

Aichi Steel Group's financial position as at March 31, 2015, was as follows.

Total assets were 268,064 million yen, up 12,805 million yen from the end of the previous fiscal year.

Current assets decreased 1,829 million yen, to 124,084 million yen.

Property, plant and equipment increased 2,451 million yen year on year. Total capital expenditure during the fiscal year was 12,752 million yen, and depreciation and amortization amounted to 11,833 million yen.

Current liabilities were up 18,851 million yen. The main factor behind this rise was a 18,809 million yen increase in the current portion of long-term loans payable.

Long-term liabilities fell by 22,750 million yen year on year, due primarily to a 25,740 million yen decrease in long-term loans payable.

Net assets came to 161,669 million yen at the end of the fiscal year, up 16,704 million yen from one year earlier. Net assets per share were 779.41 yen, up from 699.58 yen, and the equity ratio rose from 53.9% in the previous fiscal year to 57.2%.

Consolidated Cash Flows

Net cash provided by operating activities increased by 4,345 million yen from the previous fiscal year to 19,337 million yen. Uses of cash included income taxes, which increased 2,079 million yen compared with in the preceding term, while major sources of cash were consumption taxes payable, providing a net 2,134 million yen compared with the previous fiscal year; a decrease in inventories, providing a net 1,904 million yen; and income before income taxes and minority interests, which provided 914 million yen more than in the previous fiscal year.

Net cash used in investing activities increased by 1,572 million yen from the previous fiscal year to 13,565 million yen. The main factor was payments for purchases of property, plant and equipment, which used 1,269 million yen more than in the previous term.

Net cash used in financing activities increased by 8,247 million yen from the previous fiscal year to 10,158 million yen. Proceeds from long-term loans payable provided 2,310 million yen more than in the previous fiscal year, but payments of long-term loans payable used 10,450 million yen more cash year on year.

As a result, cash and cash equivalents totaled 32,505 million yen at the end of the fiscal year, a decrease of 3,530 million yen from the 36,035 million yen at the previous fiscal year-end.

Available-for-Sale Securities

Of the total securities owned by the Company and its consolidated subsidiaries, the historical cost of those reported on the consolidated balance sheet was 2,612 million yen and the fair market value of these securities reported on the consolidated balance sheet was 16,327 million yen.

Five-year Summary (Consolidated and Non-Consolidated)

Five-year Summary (Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2013	Mar. 2012	Mar. 2011	Mar. 2015
Net sales	¥240,648	¥237,421	¥217,279	¥227,478	¥215,454	\$2,005,399
Operating income	10,616	9,627	7,332	8,459	14,073	88,467
Income before income taxes and minority interests	10,693	9,779	7,769	7,885	11,949	89,108
Net income	6,023	5,503	4,899	4,247	15,205	50,196
Property, plant and equipment	88,292	85,841	83,618	85,528	89,761	735,764
Total assets	268,064	255,259	238,165	241,952	240,218	2,233,870
Net assets	161,669	144,965	132,436	126,112	123,671	1,347,245
Per share data	Yen					U.S. Dollars
Net income:Basic	¥ 30.62	¥ 27.99	¥ 24.94	¥ 21.62	¥ 77.49	\$ 0.3
Net income:Diluted	30.62	27.98	-	21.61	77.45	0.3
Number of employees(Persons)	4,617	4,613	4,504	4,406	4,351	

Notes:

1. Net sales are presented exclusive of consumption taxes.

2. Scope of Consolidation:

The consolidated financial statements include the financial statement of AICHI STEEL CORPORATION and 19 significant subsidiaries.

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.

3. 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.

4. Diluted net income per share for 2013 is not written because no dilutive shares exist.

5. Each fiscal year end date is March 31.

6. The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥120=U.S.\$1.

Five-year Summary (Non-Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2013	Mar. 2012	Mar. 2011	Mar. 2015
Net sales	¥186,433	¥185,764	¥173,208	¥190,096	¥179,183	\$1,553,609
Operating income	8,241	6,171	4,600	5,481	11,441	68,675
Income before income taxes	8,938	6,915	4,810	5,117	10,048	74,481
Net income	5,839	4,738	3,841	2,714	13,181	48,662
Property, plant and equipment	65,136	65,462	67,983	72,685	78,200	542,799
Total assets	210,845	213,245	210,113	217,473	218,974	1,757,040
Net assets	127,940	121,414	117,248	114,371	113,097	1,066,165
Per share data	Yen					U.S. Dollars
Net income:Basic	¥ 29.69	¥ 24.10	¥ 19.55	¥ 13.82	¥ 67.17	\$ 0.2
Net income:Diluted	29.68	24.09	-	13.81	67.14	0.2
Cash dividends	10.00	10.00	10.00	10.00	10.00	0.1
Number of employees(Persons)	2,409	2,383	2,369	2,367	2,360	

Notes:

1. Net sales are presented exclusive of consumption taxes.

2. 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.

3. Diluted net income per share for 2013 is not written because no dilutive shares exist.

4. Each fiscal year end date is March 31.

5. The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥120=U.S.\$1.

Consolidated Balance Sheets

As at March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Assets			
Current assets:			
Cash and deposits	¥ 32,717	¥ 36,194	\$ 272,646
Notes and accounts receivable	50,135	48,080	417,791
Short-term investments	155	155	1,290
Finished goods	7,663	7,048	63,860
Work in process	18,139	19,682	151,160
Raw materials and supplies	9,909	8,875	82,575
Deferred tax assets	3,741	3,735	31,179
Other assets	1,772	2,305	14,755
Less: allowance for doubtful receivables	(147)	(161)	(1,225)
Total current assets	124,084	125,913	1,034,031
Fixed Assets:			
Property, plant and equipment:			
Buildings and structures	68,203	64,859	568,359
Less: accumulated depreciation	(46,706)	(44,901)	(389,218)
Machinery, equipment and vehicles	277,658	273,244	2,313,815
Less: accumulated depreciation	(237,695)	(230,227)	(1,980,795)
Equipment	13,095	12,829	109,122
Less: accumulated depreciation	(11,640)	(11,383)	(96,997)
Land	14,216	14,120	118,465
Lease assets	402	374	3,353
Less: accumulated depreciation	(192)	(167)	(1,599)
Construction in progress	10,951	7,093	91,259
Net property, plant and equipment	88,292	85,841	735,764
Intangible fixed assets:			
Telephone rights	12	12	103
Other assets	270	250	2,252
Total intangible fixed assets	282	262	2,355
Investments and other assets:			
Investment securities	23,737	20,467	197,806
Long-term loans	419	536	3,488
Net defined benefit asset	30,154	21,149	251,281
Deferred tax assets	355	366	2,962
Other assets	802	786	6,693
Less: allowance for doubtful receivables	(61)	(61)	(510)
Total investments and other assets	55,406	43,243	461,720
Total fixed assets	143,980	129,346	1,199,839
Total Assets	¥268,064	¥255,259	\$2,233,870

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 24,931	¥ 25,852	\$ 207,754
Short-term loans payable	1,323	1,522	11,025
Current portion of long-term loans payable	30,360	11,551	252,997
Lease obligations	77	68	643
Income taxes payable	1,716	2,339	14,303
Accrued bonuses for directors and corporate auditors	183	175	1,525
Other liabilities	14,791	13,023	123,261
Total current liabilities	73,381	54,530	611,508
Long-term liabilities:			
Long-term loans payable	13,233	38,973	110,274
Lease obligations	140	151	1,164
Deferred tax liabilities	5,959	2,389	49,658
Net defined benefit liability	12,180	12,733	101,497
Retirement benefit obligation for directors and corporate auditors	792	805	6,603
Asset retirement obligations	623	648	5,189
Other liabilities	87	65	732
Total long-term liabilities	33,014	55,764	275,117
Total liabilities	106,395	110,294	886,625
Net Assets			
Shareholders' equity:			
Common stock, no par value:			
Authorized: 476,000,000 shares;	25,017	25,017	208,473
Issued: 198,866,751 shares in 2015 and 2014			
Capital surplus	27,899	27,899	232,490
Retained earnings	78,565	74,494	654,718
Less, treasury stock, at cost	(1,301)	(1,321)	(10,845)
2,157,793 shares in 2015 and 2,189,898 shares in 2014			
Total shareholders' equity	130,180	126,089	1,084,836
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities, net of tax	9,548	6,881	79,569
Foreign currency translation adjustments	3,595	1,149	29,959
Remeasurements of defined benefit plans	9,993	3,473	83,274
Total valuation and translation adjustments	23,136	11,503	192,802
Subscription rights to shares	40	77	329
Minority interests in subsidiaries	8,313	7,296	69,278
Total Net assets	161,669	144,965	1,347,245
Total Liabilities and Net assets	¥268,064	¥255,259	\$2,233,870

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2015 and 2014

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Net sales	¥240,648	¥237,421	\$2,005,399
Cost of sales	208,023	207,243	1,733,523
Gross profit	32,625	30,178	271,876
Selling, general and administrative expenses:			
Freight expenses	2,652	2,605	22,096
Sales commission	1,350	1,323	11,248
Salaries and allowances and welfare expenses	7,868	7,432	65,570
Retirement benefit expenses	362	478	3,018
Provision of allowance for directors' bonuses	183	178	1,525
Provision of allowance for directors' retirement benefits	68	103	569
Provision of allowance for doubtful receivables	-	42	0
Depreciation	561	436	4,676
Research and development expenses	3,538	3,471	29,487
Others	5,427	4,483	45,220
Total selling, general and administrative expenses	22,009	20,551	183,409
Operating income	10,616	9,627	88,467
Non-operating income:			
Interest income	108	112	902
Dividend income	370	363	3,087
Gain on sales of goods	85	105	712
Foreign exchange gain	526	358	4,386
Others	689	507	5,727
Total non-operating income	1,778	1,445	14,814
Non-operating expenses:			
Interest expenses	716	684	5,967
Loss on disposal of property, plant and equipment, net	285	323	2,377
Loss on valuation of derivatives	38	61	318
Others	214	194	1,776
Total non-operating expenses	1,253	1,262	10,438
Ordinary income	11,141	9,810	92,843
Extraordinary expenses:			
Impairment loss on fixed assets	448	31	3,735
Total extraordinary expenses	448	31	3,735
Income before income taxes and minority interests	10,693	9,779	89,108
Income taxes:			
Current	3,900	3,400	32,502
Deferred	100	217	830
Total income taxes	4,000	3,617	33,332
Minority interests in net income of subsidiaries	670	659	5,580
Net income	¥ 6,023	¥ 5,503	\$ 50,196
	Yen		U.S. Dollars
Per share	2015	2014	2015
Net income:Basic	¥ 30.62	¥ 27.99	\$ 0.3
Net income:Diluted	30.62	27.98	0.3
Cash dividends	10.00	10.00	0.1

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Net income before minority interests	¥ 6,693	¥ 6,162	\$ 55,776
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,675	1,383	22,291
Foreign currency translation adjustment	2,976	3,520	24,799
Remeasurements of defined benefit plans	6,520	-	54,331
Total of other comprehensive income	12,171	4,903	101,421
Comprehensive income	18,864	11,065	157,197
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	17,656	9,651	147,136
Comprehensive income attributable to minority interests	1,208	1,414	10,061

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Shareholders' equity			
Common stock:			
Balance at the beginning of year	¥ 25,017	¥ 25,017	\$ 208,473
Balance at the end of year	25,017	25,017	208,473
Capital surplus:			
Balance at the beginning of year	27,899	27,899	232,490
Balance at the end of year	27,899	27,899	232,490
Retained earnings:			
Balance at the beginning of year	74,494	70,987	620,786
Cumulative effects of changes in accounting policies	18	-	150
Restated balance	74,512	-	620,936
Change of items during the period			
Cash dividends	(1,967)	(1,965)	(16,390)
Net income for the year	6,023	5,503	50,196
Disposal of treasury stock due to exercise of stock options	(3)	(31)	(24)
Total changes of items during the period	4,053	3,507	33,782
Balance at the end of year	78,565	74,494	654,718
Treasury stock:			
Balance at the beginning of year	(1,321)	(1,462)	(11,010)
Change of items during the period			
Purchase of treasury stock and fractional shares	(1)	(1)	(11)
Disposal of treasury stock due to exercise of stock options	21	142	176
Total changes of items during the period	20	141	165
Balance at the end of year	(1,301)	(1,321)	(10,845)
Total shareholders' equity:			
Balance at the beginning of year	126,089	122,441	1,050,739
Cumulative effects of changes in accounting policies	18	-	150
Restated balance	126,107	-	1,050,889
Change of items during the period			
Cash dividends	(1,967)	(1,965)	(16,390)
Net income for the year	6,023	5,503	50,196
Purchase of treasury stock and fractional shares	(1)	(1)	(11)
Disposal of treasury stock due to exercise of stock options	18	111	152
Total changes of items during the period	4,073	3,648	33,947
Balance at the end of year	¥130,180	¥126,089	\$1,084,836

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of tax:			
Balance at the beginning of year	¥ 6,881	¥ 5,501	\$ 57,344
Change of items during the period			
Net changes of items other than shareholders' equity	2,667	1,380	22,225
Total changes of items during the period	2,667	1,380	22,225
Balance at the end of year	9,548	6,881	79,569
Foreign currency translation adjustments:			
Balance at the beginning of year	1,149	(1,619)	9,574
Change of items during the period			
Net changes of items other than shareholders' equity	2,446	2,768	20,385
Total changes of items during the period	2,446	2,768	20,385
Balance at the end of year	3,595	1,149	29,959
Remeasurements of defined benefit plans:			
Balance at the beginning of year	3,473	-	28,943
Change of items during the period			
Net changes of items other than shareholders' equity	6,520	3,473	54,331
Total changes of items during the period	6,520	3,473	54,331
Balance at the end of year	9,993	3,473	83,274
Total accumulated other comprehensive income:			
Balance at the beginning of year	11,503	3,882	95,861
Change of items during the period			
Net changes of items other than shareholders' equity	11,633	7,621	96,941
Total changes of items during the period	11,633	7,621	96,941
Balance at the end of year	23,136	11,503	192,802
Subscription rights to shares:			
Balance at the beginning of year	77	169	638
Change of items during the period			
Net changes of items other than shareholders' equity	(37)	(92)	(309)
Total changes of items during the period	(37)	(92)	(309)
Balance at the end of year	40	77	329
Minority interests in subsidiaries:			
Balance at the beginning of year	7,296	5,944	60,805
Change of items during the period			
Net changes of items other than shareholders' equity	1,017	1,352	8,473
Total changes of items during the period	1,017	1,352	8,473
Balance at the end of year	8,313	7,296	69,278
Total net assets:			
Balance at the beginning of year	144,965	132,436	1,208,043
Cumulative effects of changes in accounting policies	18	-	150
Restated balance	144,983	-	1,208,193
Change of items during the period:			
Cash dividends	(1,967)	(1,965)	(16,390)
Net income for the year	6,023	5,503	50,196
Purchase of treasury stock and fractional shares	(1)	(1)	(11)
Disposal of treasury stock due to exercise of stock options	18	111	152
Net changes of items other than shareholders' equity	12,613	8,881	105,105
Total changes of items during the period	16,686	12,529	139,052
Balance at the end of year	¥161,669	¥144,965	\$1,347,245

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	Mar. 2015	Mar. 2014	Mar. 2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 10,693	¥ 9,779	\$ 89,108
Depreciation	11,834	12,355	98,614
Impairment loss on fixed assets	448	31	3,734
Increase (decrease) of allowance for doubtful receivables	(18)	10	(148)
Decrease(increase)in net defined benefit asset	(516)	(208)	(4,299)
Increase(decrease)in net defined benefit liability	262	444	2,187
Interest and dividend income	(479)	(475)	(3,989)
Interest expense	716	684	5,967
Foreign exchange (gain) loss	(299)	(265)	(2,492)
Loss (gain) on sale of property, plant and equipment, net	(25)	(25)	(210)
Loss (gain) on disposal of property, plant and equipment	274	298	2,286
Decrease (increase) in notes and accounts receivable-trade	(1,191)	(368)	(9,922)
Decrease (increase) in inventories	844	(1,060)	7,034
Increase (decrease) in notes and accounts payable-trade	(1,519)	(2,355)	(12,662)
Other, net	3,329	(948)	27,734
Subtotal	24,353	17,897	202,942
Interest and dividend income received	479	475	3,992
Interest expenses paid	(720)	(684)	(6,001)
Income taxes paid	(4,775)	(2,696)	(39,792)
Net cash provided by operating activities	19,337	14,992	161,141
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(50)	(36)	(417)
Payments for purchase of property, plant and equipment	(13,478)	(12,209)	(112,319)
Proceeds from sales of property, plant and equipment	48	311	396
Payments for purchase of investment securities	(1)	(75)	(8)
Payments for loans receivable	(15)	(4)	(125)
Collections of loans receivable	129	170	1,079
Other, net	(198)	(150)	(1,649)
Net cash used in investing activities	(13,565)	(11,993)	(113,043)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(269)	(386)	(2,241)
Proceeds from long-term loans payable	3,893	1,583	32,442
Repayments of long-term loans payable	(11,562)	(1,112)	(96,353)
Payments for refund of lease obligations	(75)	(65)	(623)
Proceeds from minority shareholders of subsidiary	-	74	-
Proceeds from exercise of stock options	15	89	122
Cash dividends paid	(1,969)	(1,966)	(16,404)
Cash dividends paid to minority shareholders	(190)	(122)	(1,582)
Other, net	(1)	(6)	(12)
Net cash used in financing activities	(10,158)	(1,911)	(84,651)
Effect of exchange rate changes on cash and cash equivalents	856	1,127	7,138
Net decrease in cash and cash equivalents	(3,530)	2,215	(29,415)
Cash and cash equivalents at beginning of year	36,035	33,820	300,291
Cash and cash equivalents at end of year	¥ 32,505	¥ 36,035	\$ 270,876

GRI Guideline Comparison Table

We are now preparing for core compliance with the Sustainability Reporting Guidelines Version 4 (G4) (see Pages 7-8). The table below provides a report on the status of current efforts, as compared against G4.

General Standard Disclosures

*Items in yellow are standard disclosures required in Core-compliant reports.

Strategy and Analysis		
1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P3-6
2	a. Provide a description of key impacts, risks, and opportunities.	P3-6,19
Organizational Profile		
3	a. Report the name of the organization.	P2
4	a. Report the primary brands, products, and services.	P2
5	a. Report the location of the organization's headquarters.	P2
6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P2
7	a. Report the nature of ownership and legal form.	P2,17
8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P2,35
9	a. Report the scale of the organization, including: • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided	P2,19, 35,36 (WEB)P38-46
10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender.	P21
11	a. Report the percentage of total employees covered by collective bargaining agreements.	—
12	a. Describe the organization's supply chain.	P26
13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Not applicable
14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	P19-20
15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P20,25,29
16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level.	P25
Identified Material Aspects and Boundaries		
17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	P2
18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P1
19	a. List all the material Aspects identified in the process for defining report content.	—
20	a. For each material Aspect, report the Aspect Boundary within the organization.	—
21	a. For each material Aspect, report the Aspect Boundary outside the organization.	—
22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Not applicable
23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Not applicable
Stakeholder Engagement		
24	a. Provide a list of stakeholder groups engaged by the organization.	P15
25	a. Report the basis for identification and selection of stakeholders with whom to engage.	P15
26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P7-8
27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	P7-8, 15-16
Report Profile		
28	a. Reporting period (such as fiscal or calendar year) for information provided.	P1
29	a. Date of most recent previous report (if any).	P1
30	a. Reporting cycle (such as annual, biennial).	P1
31	a. Provide the contact point for questions regarding the report or its contents.	Back cover
32	a. Report the "in accordance" option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.	—
33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	—
Governance		
34	a. Report the governance structure of the organization. Identify any committees responsible for decision-making on economic, environmental and social impacts.	P17
35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	P17
36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	P17
37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	P17
38	a. Report the composition of the highest governance body and its committees by: • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation	P17
39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	P17
40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	P17
41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures	P17

42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	P17
44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	P15
45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	P15
46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	P19
47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	P17
49	a. Report the process for communicating critical concerns to the highest governance body.	P17
50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	P17-18
Ethics and Integrity		
56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	P1,P15
57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P18
58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	P18

Specific Standard Disclosures

Disclosures on Management Approach		
DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach	P3-6
Economic		
Aspect: Economic Performance		
EC1	Direct Economic Value Generated And Distributed	(WEB)P38-46
EC2	Financial Implications And Other Risks And Opportunities For The Organization's Activities Due To Climate Change	P19
EC3	Coverage Of The Organization's Defined Benefit Plan Obligations	Listed on the annual securities report
Environmental		
Aspect: Materials		
EN1	Materials Used By Weight Or Volume	(WEB)P35
EN2	Percentage Of Materials Used That Are Recycled Input Materials	(WEB)P35
Aspect: Energy		
EN3	Energy Consumption Within The Organization	(WEB)P35
EN6	Reduction Of Energy Consumption	P31-32
Aspect: Water		
EN8	Total Water Withdrawal By Source	(WEB)P35
Aspect: Biodiversity		
EN11	Operational Sites Owned, Leased, Managed In, Or Adjacent To, Protected Areas And Areas Of High Biodiversity Value Outside Protected Areas	P34
EN13	Habitats Protected Or Restored	P34
Aspect: Emissions		
EN15	Direct Greenhouse Gas Emissions (Scope 1)	P32
EN16	Energy Indirect Greenhouse Gas Emissions (Scope 2)	P32
EN19	Reduction Of Greenhouse Gas Emissions (Ghg)	P32
EN21	Nox, Sox, And Other Significant Air Emissions	(WEB)P36-37
Aspect: Effluents And Waste		
EN23	Total Weight Of Waste By Type And Disposal Method	P31,33,(WEB)P35
Aspect: Products And Services		
EN27	Extent Of Impact Mitigation Of Environmental Impacts Of Products And Services	P11-12
Aspect: Compliance		
EN29	Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Environmental Laws And Regulations	P31
Aspect: Overall		
EN31	Total Environmental Protection Expenditures And Investments By Type	P30
Aspect: Environmental Grievance Mechanisms		
EN34	Number Of Grievances About Environmental Impacts Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	P31
Social		
Aspect: Employment		
LA1	Total Number And Rates Of New Employee Hires And Employee Turnover By Age Group, Gender And Region	P21
Aspect: Occupational Health And Safety		
LA6	Type Of Injury And Rates Of Injury, Occupational Diseases, Lost Days, And Absenteeism, And Total Number Of Work-Related Fatalities, By Region And By Gender	P16,24
LA8	Health And Safety Topics Covered In Formal Agreements With Trade Unions	P24
Aspect: Training And Education		
LA10	Programs For Skills Management And Lifelong Learning That Support The Continued Employability Of Employees And Assist Them In Managing Career Endings	P16,23
Human Rights		
Aspect: Non-Discrimination		
HR3	Total Number Of Incidents Of Discrimination And Corrective Actions Taken	P18
Aspect: Human Rights Grievance Mechanisms		
HR12	Number Of Grievances About Human Rights Impacts Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	P18
Society		
Aspect: Local Communities		
SO1	Percentage Of Operations With Implemented Local Community Engagement, Impact Assessments, And Development Programs	P16,27-28
Aspect: Anti-Corruption		
SO4	Communication And Training On Anti-Corruption Policies And Procedures	P18
Product Responsibility		
Aspect: Product And Service Labeling		
PR5	Results Of Surveys Measuring Customer Satisfaction	P26

This year's Aichi Steel Report clearly sets forth the stance of remaining solidly aware of environmental management and corporate social responsibility while drafting a vision for the next phase of society, even as the company pursued active management on various agenda in the harsher business climate induced by the yen's depreciation. These agenda include reduction of prime cost and expansion of earnings based on the perspectives of fractional management, participation in fuel cell vehicle development plans, and creation of new products drawing on the company's strengths.



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Clear definition of the management stance revolving around proactivity and steadiness (pp. 3–6)

The interview with the president at the start of the report clearly sets forth the orientation of organizational management from a wide range of perspectives, including the thinking behind fractional management, introduction of ZZZ200 activities, development of unique products, the further penetration of the 1S culture, and emphasis on efficiency and flexibility in organizations. The president applies the metaphor of tree rings for the objective of steady growth in the face of rapid changes in the business environment while striving to strengthen the company's foundation and increase its earning power. I think this is an important idea for the continuation of sustainable growth and dialogue with society. The president also clearly places advancement of the company as an organization and the growth of each and every one of its employees on the same footing, and the aspiration to be a "company desired by society."

Clear indication of issues faced as a corporate member of society (pp. 7–8)

The relationship between the company and society is extremely multi-layered and diverse. The special content sets forth issues in both the environmental and social aspects for conformance with the GRI sustainability reporting guidelines, in all stages from procurement of raw materials to product use. It also outlines opportunities for engagement with various stakeholders as well as their wishes and expectations. It therefore takes a bird's-eye view of the overall corporate activities in the context of the relationship with society. This throws strengths and issues into focus and makes it possible to see in what fields greater efforts are required. I believe this kind of sharing of identified results on important issues with all employees also enables all employees, including those working in plants, to share the social worth of the company's activities and the responsibility they carry. I am looking forward to seeing the results of this work reflected in the next edition of the report.

Clear notation of activity results and issues in the Medium-Term CSR Plan (pp. 15–16)

Like last year's edition, this year's presents a concise summary of priority agenda items grounded in the CSR Vision, initiatives for attaining them, targets, actual results, and assessments. In the case of items for which targets have not yet been attained, it also clearly states shortcomings and issues. I am looking forward to the progress of approaches to certain items, such as reinforcement of powers of information provision to society and preparation of more appealing plants. I also have high hopes for the full analysis of issues and further reinforcement of approaches for target attainment in the case of items carried over from previous years whose targets have not yet been sufficiently attained. These include the preparation of safe and pleasant workplaces, and compliance.

Steady progress of the Environmental Action Plan (p. 31)

Fiscal 2014 is the fourth year of the Environmental Action Plan 2015, and progress may be considered basically smooth in it as well. More specifically, the Group deserves high ratings for its attainment of targets for improvement of efficiency in physical distribution, for which its targets were raised in fiscal 2013, and global CO₂ management based on apprehension of CO₂ emission levels at its overseas sites, which it has long been addressing. Similarly, it managed to halve the amount of direct landfill (p. 33) from the previous year. In contrast, it was not able to attain the target for reduction of CO₂ emissions in production activities. I am hoping it will continue to bolster its approaches.

Conclusion

I understand that a new building is being constructed to house the company with the approach of the 75th anniversary of its establishment.

I hope that the new building will not only improve the environment of work by employees but also provide space that is adapted to a new work style, and therefore stand as a fitting symbol for the coming age.

*This Third-Party View was written on the basis of data including the findings of interviews with concerned parties.

Response to the Third-Party View



Ichiro Murakami
Senior Executive Officer
and General Manager,
General Affairs Div.

Professor Chikami has kindly written a third-party view for the report since fiscal 2010, and I am grateful for his precious views and proposals again this year.

We are definitely going to take lessons from his comments as an expert on the items he indicated, also to continue with our sustainable value creation. At the same time, we will earnestly strive to make this report even more complete.

To assist the achievement of sustainable growth and emergence of a better society, we intend to make even more improvements on the agenda for which we were given high ratings (management stance and identification of social issues) as well as the preparation of more appealing plants.

Professor Chikami also encouraged more work on the agenda of preparing safe and pleasant workplaces, compliance, and reduction of CO₂ emissions in production activities. We will see that these agenda are shared by all concerned divisions and pursue studies for tackling them through a concerted companywide effort.

For the future as well, we are committed to strengthening our management foundation and promoting CSR activities for sustained growth by the Group as a whole. It remains our aspiration to be a company that is trusted by all of its stakeholders, who will want it to always be a member of their community.



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Released: October 2015