



AICHI STEEL INTEGRATED REPORT 2022

*Innovate Materials.
Create Tomorrow.*

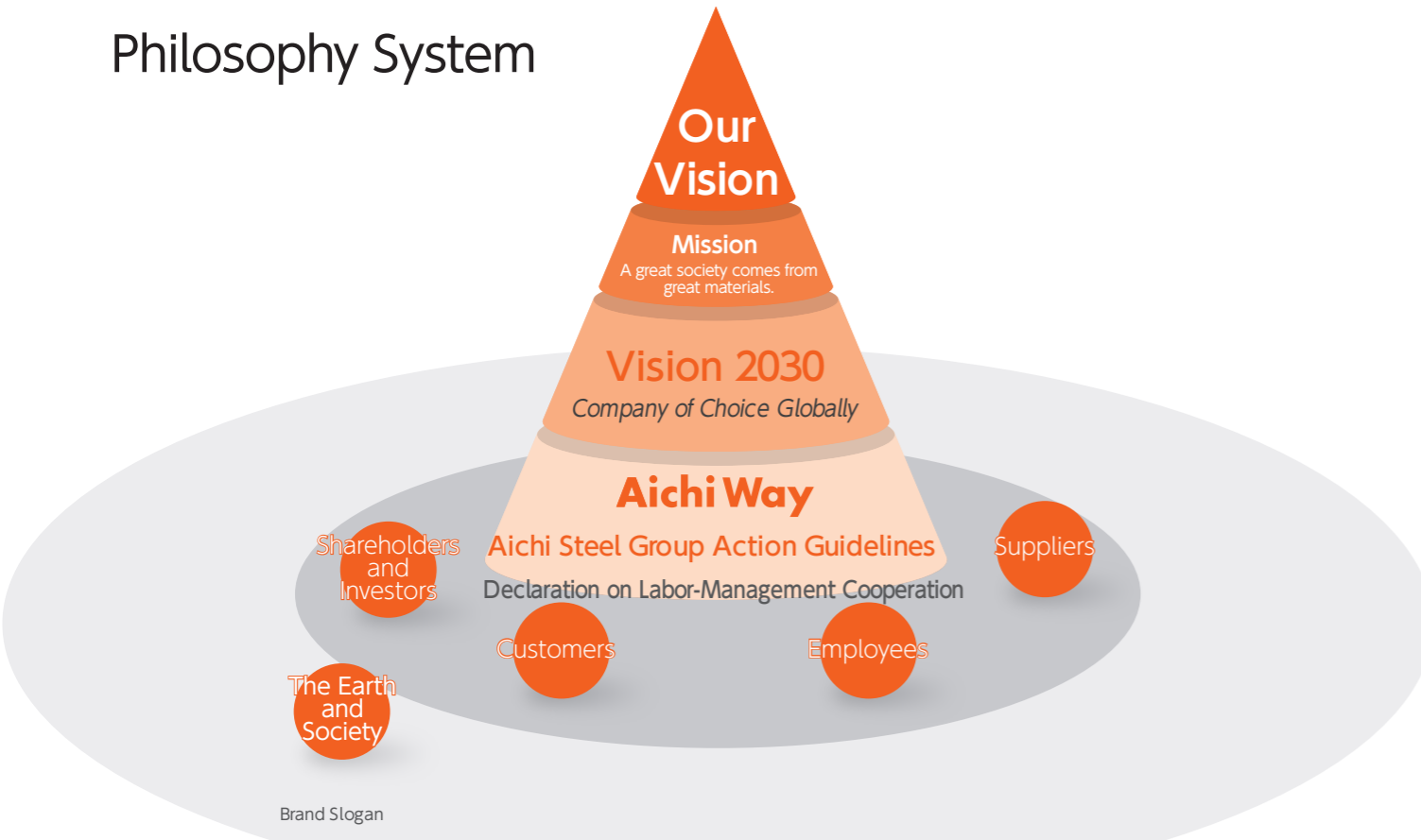
AICHI STEEL

Our Vision

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

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

Philosophy System



**Innovate Materials.
Create Tomorrow.**

This is our declaration to society that we intend to become a company that expands the possibilities of manufacturing by adding value to materials, as the starting point, to evolve them into products and systems.

The orange dots in the logo symbolize our commitment to using materials to support the future.



Brand website (Japanese only)

CONTENTS

About Aichi Steel

- 01 Our Vision and Philosophy System
- 03 DNA of Aichi Steel, Creating the Future Through Materials
- 05 Aichi Steel Group Overview

Value for Society

- 07 Message of Commitment from the President
- 13 Value Creation Process
- 15 Human Capital
- 19 Manufactured Capital
- 21 Natural Capital
- 24 Intellectual Capital
- 25 Social and Relationship Capital
- 26 Financial Capital
- 27 Hagane Company
- 29 Stainless Steel Company
- 31 Kitaeru Company
- 33 Smart Company

Materiality

- 35 Priority Issues (Materiality)

Special Feature

- 39 (1) Climate Change Response
- 43 (2) Responding to CASE, a Major Transition in the Automotive Industry

Governance

- 47 Corporate Governance
- 52 Outside Director Interview
- 53 Directors and Audit & Supervisory Board Members
- 54 Risk Management
- 55 Information Security
- 56 Compliance

Corporate Data

- 57 Financial and Non-financial Highlights
- 59 Key Financial Data
- 61 Company and Share Information



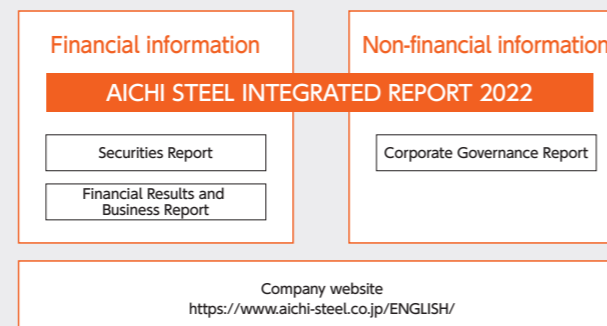
Editorial Policy

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

Accounting Standard

This Report complied with Japanese accounting standards until FY2020, and with International Financial Reporting Standards (IFRS) from FY2021.

Reports and Structure



Readers

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

Report Period and Scope

The Report mainly covers activities conducted by the Aichi Steel Group during FY2021 (April 2021 to March 2022). However, some activities conducted before or after FY2021 are also explained where necessary.

Reference Guidelines

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

[Important Note about Forecasts]

The financial results forecasts in this report are based on judgments and assumptions from currently available information. Actual business results may differ greatly from targets, in light of their inherent uncertainty and the potential of revision due to future business operation or changes to information inside or outside the company.

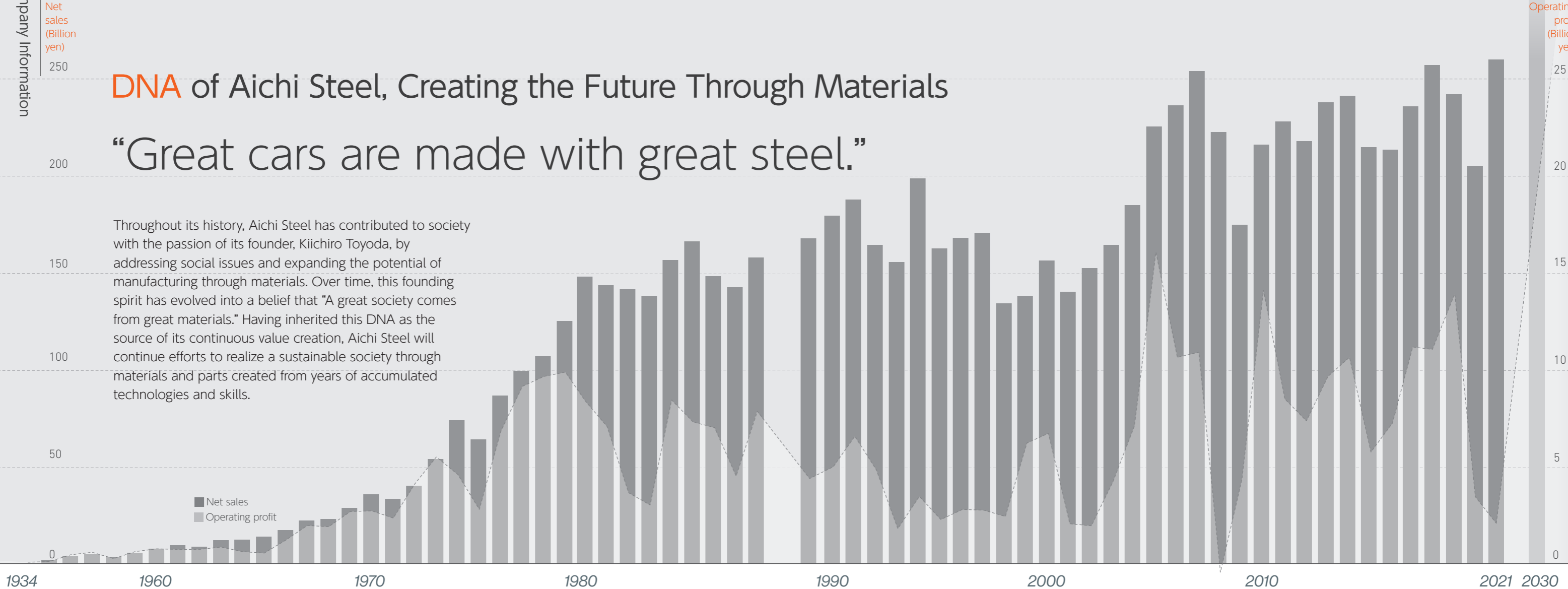
Net sales (Billion yen)

Operating profit (Billion yen)

DNA of Aichi Steel, Creating the Future Through Materials

“Great cars are made with great steel.”

Throughout its history, Aichi Steel has contributed to society with the passion of its founder, Kiichiro Toyoda, by addressing social issues and expanding the potential of manufacturing through materials. Over time, this founding spirit has evolved into a belief that “A great society comes from great materials.” Having inherited this DNA as the source of its continuous value creation, Aichi Steel will continue efforts to realize a sustainable society through materials and parts created from years of accumulated technologies and skills.



Foundation

Growth

DNA Evolution (expanding the potential of manufacturing)

CHALLENGES Developed composite steel making process

- Adopted the world's first composite steel making process, which combined cutting-edge basic steel making technologies, to improve energy efficiency and achieve dramatic improvements in quality, cost and delivery

EVOLUTION Using the power of materials to address social issues

- Evolved founding spirit into a belief that “A great society comes from great materials”, and opened up a wide range of business fields, including environment, safety, medicine, and food with a focus on mobility, to contribute to the SDGs

FOUNDATIONS Major investment as a decisive response to expansion of the automotive industry in Japan

- Adopted large electric furnaces and the latest steel rolling equipment, etc., and expanded production capacity by 2.5 times, to achieve international competitiveness in terms of quality and price
- Developed mass production system, and started integrated forging with steel making processes, to meet the increased demand for forged products and need for high quality in an increasingly motorized society

CIRCULATION Consideration for the global environment

- Developed and implemented recycling technologies for end-of-life cars, and reuse technologies for the byproduct slag, and accelerated activities toward establishing a circular economy

ORIGINS Independent production of essential materials for automobiles

- Established as the steel making division of Toyoda Automatic Loom Works to enable the company to manufacture its own outstanding steel with durability and machinability suited to use as a material for automobiles

EXPANSION Globalization and new businesses

- Established Aichi Steel's first overseas forging production site, built stable overseas supply systems, and contributed to globalization of the automotive industry
- Started full-scale production of electronic and magnetic parts, and started working toward a smart society



1939-1945
World War II

1960s-1970s
Rapid economic growth in Japan

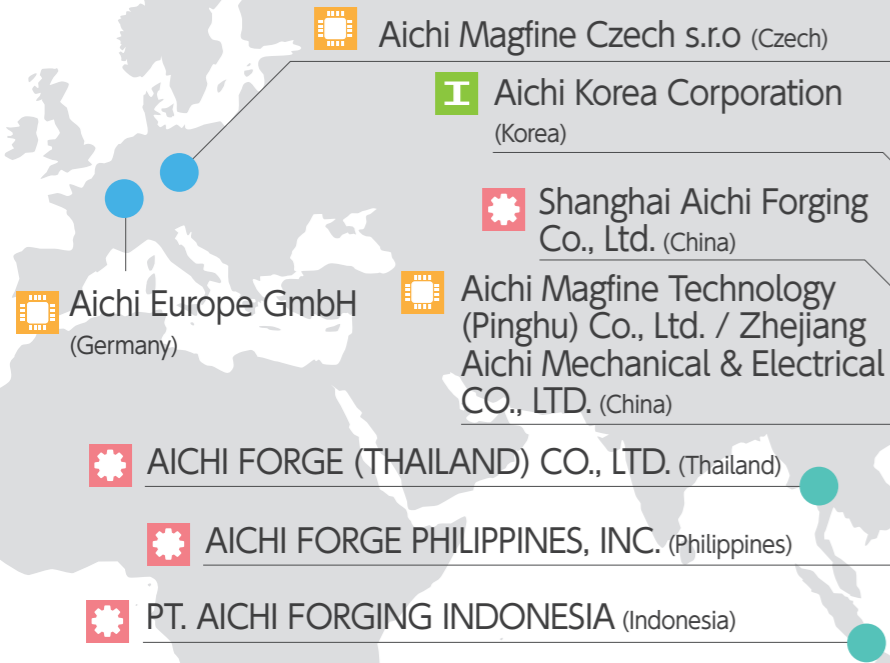
1985
Plaza Accord

2008
Global financial crisis

2015
Paris Agreement, 2030 Agenda for Sustainable Development

2020
Japanese government declaration of carbon neutrality by 2050
Spread of COVID-19

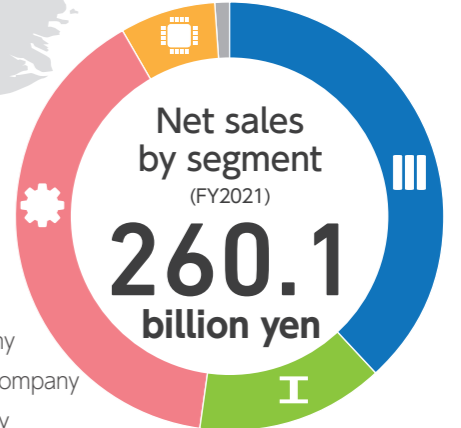
Aichi Steel Group Overview



Aichi Steel (Japan)

Company	Location
AIKO CORPORATION	Aichi Prefecture
AICHI CERATEC CORPORATION	Aichi Prefecture
OMI MINING CO., LTD.	Shiga Prefecture
Aichi Techno Metal Fukaumi Co., Ltd.	Niigata Prefecture
Aichi Steel Logistics co., ltd.	Aichi Prefecture
Aichi Information System Corporation	Aichi Prefecture
AIKO SERVICE CO., LTD.	Aichi Prefecture
Asdex Corporation	Aichi Prefecture

Aichi Forge USA, INC. (USA)



- Hagane Company
- Stainless Steel Company
- Kitaeru Company
- Smart Company
- Other businesses

Hagane Company

Based on our experience and technical capabilities in manufacturing specialty steels for over half a century, the Aichi Steel Group continues to evolve in pursuit of being number one in quality.



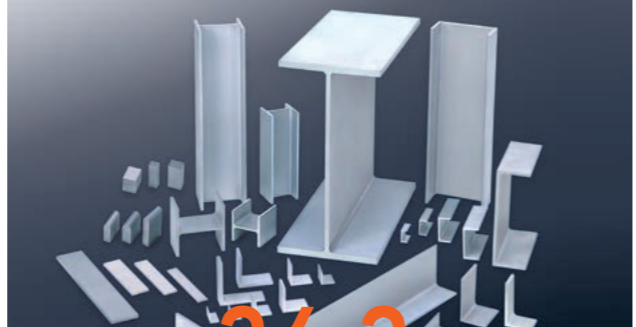
Net sales (FY2021) **99.5 billion yen**

Main products	Carbon steels and alloys for machine structural use, steel with guaranteed hardenability for structural use, microalloyed steel, boron steel, spring steel, high carbon chrome bearing steel, etc.
Developed technologies	<ul style="list-style-type: none"> Capabilities that have evolved with the accumulation of years of experience since foundation High quality that contributes to automobile safety, refined through the belief that "Great cars are made with great steel."

Hot-rolled steel bars (alloys for structural use)
Share of Japanese production **No. 1 (27%)**

Stainless Steel Company

As the leading manufacturer of stainless steel shapes in Japan, the Aichi Steel Group meets the various needs of the customers through large variety and small quantity production of over 4,000 products of different shapes and types.



Net sales (FY2021) **36.3 billion yen**

Main products	Stainless steel shapes, round bars, deformed bars and titanium bars, and engineering of stainless steel construction
Developed technologies	<ul style="list-style-type: none"> Hot-rolling technologies of various shapes and dimensions accumulated over the years since producing Japan's first hot-rolled stainless steel angle bar in 1958 Stainless steel building structure engineering technologies, including design cooperation, factory manufacture, and on-site construction

Stainless steel shapes and hot rolled flat bars
Share of Japanese production **No. 1 (73%)**

Kitaeru Company

Leveraging the strengths of integrated forging with steel making process, which enables in-house production of everything from steel material to forged products, the Aichi Steel Group is producing high value-added components that contribute to lighter, higher-performance automobiles.



Net sales (FY2021) **103.0 billion yen**

Main products	Hot-cold-forged products and machined products (engine, chassis and drivetrain components, etc.)
Developed technologies	<ul style="list-style-type: none"> Ability to offer solutions using high quality products that leverage the strengths of integrated forging with steel making processes World-class forging technologies that create highly functional, highly accurate products

Production volume in Japan as a single forging plant **No. 1 (No. 3 globally)**

Smart Company

The Aichi Steel Group is creating new businesses across five fields, from electronic components, magnets, dentistry and sensors, to iron fertilizers developed through knowledge of specialty steel manufacturing.



Net sales (FY2021) **18.9 billion yen**

Main products	Electronic materials and components, anisotropic Nd-Fe-B bonded magnets (MAGFINE®), dental magnetic attachments, ultra-compact ultra-sensitive magnetic sensors (MI Sensors), iron fertilizers, etc.
Developed technologies	<ul style="list-style-type: none"> Practical ability to expand the possibilities of a smart society through new products that leverage the DNA of material technologies Unique technical capabilities able to contribute to a diverse range of customers

Anisotropic Nd-Fe-B bonded magnets Share of global production **No. 1***
Lead frames for electric vehicle inverter cooling Share of Japanese production **No. 1***

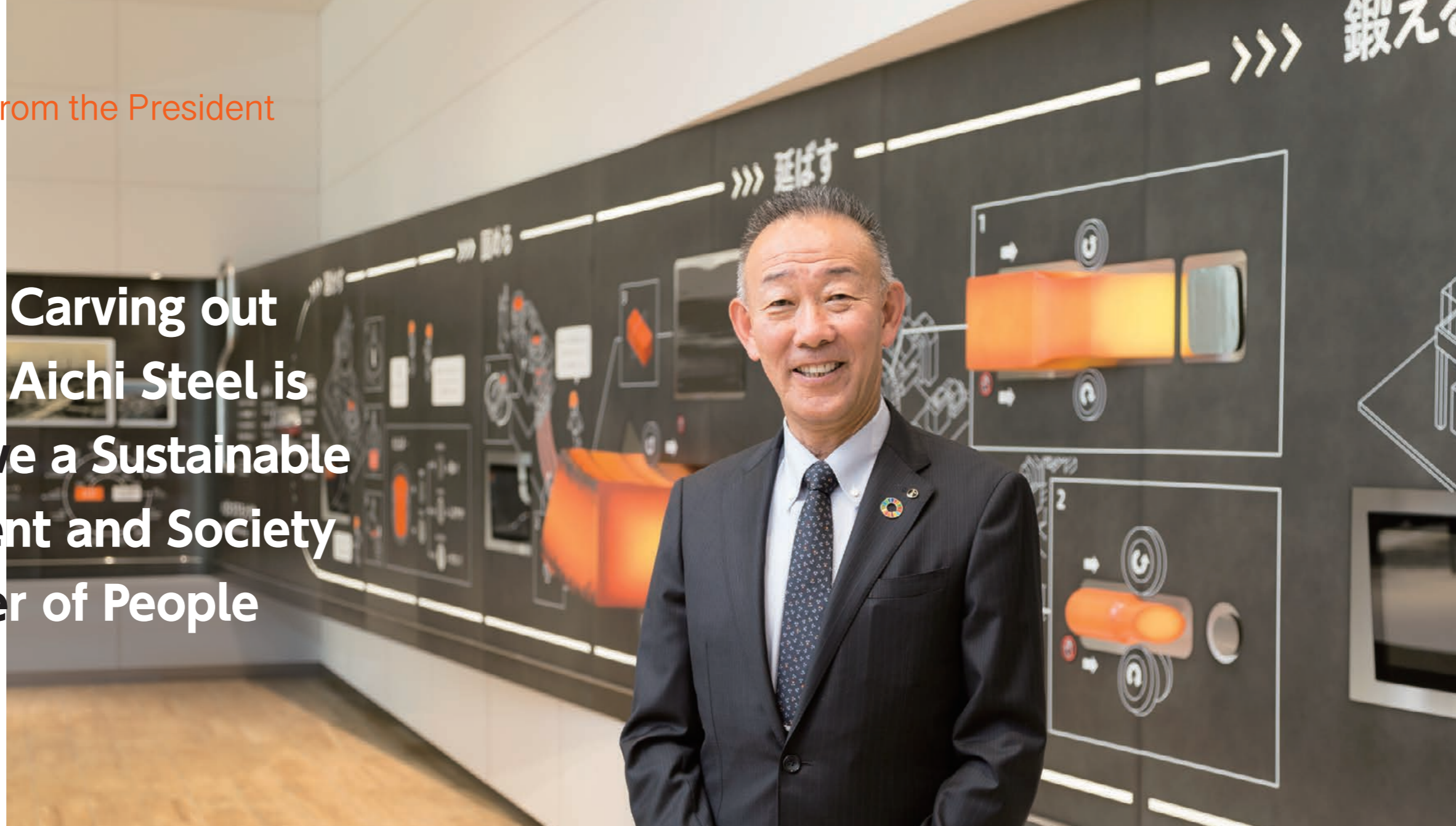
* Aichi Steel research

Message of Commitment from the President

With a History of Carving out Uncharted Paths, Aichi Steel is Working to Achieve a Sustainable Global Environment and Society Through the Power of People

Takahiro Fujioka

President



| Looking Back at Fiscal 2021

Despite production recovering after the downturn during COVID-19, we have faced strong headwinds during fiscal 2021, including sudden fluctuations in demand due to semiconductor shortages and steep increases in the cost of raw materials and energy, which have made it difficult to see the future. Within this environment, we were able to thoroughly implement Genryou Management* (managing with limited order quantities), and tackle a difficult situation with flexible production systems, to keep operating profit and profit attributable to owners of the parent company in the black. However, both of these indicators were lower when compared to the same period

in the last year due to resource inflation caused by the entanglement of a number of social trends in response to the pandemic, geopolitical risks, and climate change. With these issues having grown to a level where the power of manufacturing alone can no longer address them, the tide has completely turned. Therefore, I believe our sales pricing structures must be reformed if we are to continue providing our customers with high quality specialty steel. As these difficult business conditions continue, we will work to reflect any costs, that we are unable to absorb ourselves, in prices at an appropriate time.

* Genryou Management (managing with limited order quantities) means building structures that are profitable even with small production volumes by lowering costs and break-even points, and maintaining those levels.

| Supporting Japanese Industry and Sustainable Society with the Best of Technologies

Aichi Steel set out on the uncharted path of manufacturing specialty steels for automobiles in the early years of the automobile industry. Over time, specialty steels have become the final stronghold for Japanese industry and the best of Japanese technologies. To meet the demands of automobile and parts manufacturers and others for specialty steel characteristics and performance, we have developed products that make use of optimizing technologies. In other words, the strength of Japan's specialty steel industry lies in its ability to meticulously support the requirements of customers through involvement with automobile and parts manufacturers from their product development stage.

As a specialty steel manufacturer supporting Japanese industry, Aichi Steel is working to further improve its manufacturing capabilities to meet the increasingly sophisticated expectations of its customers, and to raise its presence in the specialty steel industry.

Aichi Steel and other specialty steel manufacturers have contributed to society from the beginning as resource-recycling companies. For instance, we use steel scrap as a raw material when producing the high quality materials used in automobiles and other products, and when those automobiles themselves are scrapped, we reuse that steel scrap as a resource when producing new specialty steels. We are the true pioneers of the

circular economy. Aichi Steel's production also has a minimal impact on the environment, with the electric furnaces that we use during production emitting about one quarter of the CO₂ emissions of the blast furnaces that use coal as the reducing agent. As a company that practices environmentally friendly manufacturing, "a sense of purpose for the future" and "a willingness to pioneer new frontiers" is in our DNA. This history informs our efforts in developing new materials and products that meet the expectations of society. The changing business environment, in response to the pandemic, climate change, and geopolitical risks, has had significant impacts on our company and on the entire specialty steel industry.

In the middle of a dramatically changing environment, it is essential that business activities help address social issues in order to provide the materials that meet society's expectations and achieve sustainable growth. Therefore, at Aichi Steel, we have revised our priority issues (materiality) and have set KPIs. We have done this in line with the 169 targets of the Sustainable Development Goals, as a more meticulous response to social issues, and while incorporating the latest environmental changes. We have also tied these priority issues and KPIs to our Vision 2030 and Medium-term Management Plan, while our management team is working to understand their current status and progress, and will review them and follow them up as necessary.

Three Axes of the Aichi Steel Management Philosophy

As the head of our management team, I have always maintained three important values as the basis for management. This is our management philosophy, the core of Aichi Steel and something from which we should not deviate. Our employees must share this philosophy and put it to use in their daily work. To ensure we follow this management philosophy in our work, we need

concrete frameworks that we can show and share rather than thinking of the management philosophy as a concept only. Therefore, we have established five separate frameworks. Based on these frameworks, we will continue efforts to improve the power of manufacturing as a specialty steel manufacturer supporting Japanese industry.

Three Axes of Our Management Philosophy

1. **History:** Inheriting our founding spirit (DNA) and company history, and evolving technical capabilities
2. **People:** Managing the power of people so that it becomes the power of the company
3. **Global Environment:** Contributing to a sustainable global environment and society

Five Frameworks that Shape Our Management Philosophy

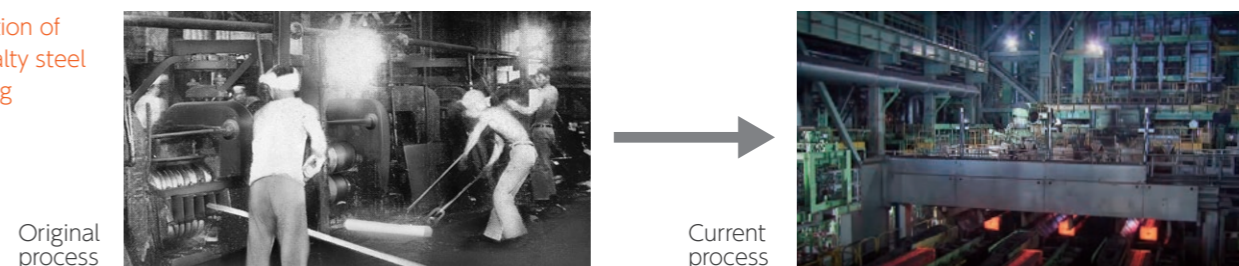
- (1) Formulation of Vision 2030: Clarifying the vision of the company as the "Company of Choice Globally"
- (2) Adoption of an in-house company system: Establishing a management structure with a sense of ownership (business and function)
- (3) Establishment of the Aichi Way: Sharing inspiration based on history
- (4) Brand slogan: Contributing to a bright future through manufacturing
- (5) Declaration on Labor-Management Cooperation: Aiming to create a happy, smiling workplace through unity between workers and managers

1. History: Inheriting our founding spirit (DNA) and company history, and evolving technical capabilities

Based on the belief of our founder that "Great cars are made with great steel," Aichi Steel started from scratch when manufacturing the specialty steel that underpins the automotive industry in Japan. Our predecessors, who built Aichi Steel into the company it is today, followed a path of high aspiration, technologies, and wisdom, which we have inherited over the generations. We established the Aichi Way as a set of action guidelines that enable us to continue

passing on these traditions and that will inspire future generations of employees. Based on the technologies and wisdom acquired throughout the history of steel making, and on the high aspiration passed down since we were founded, we will evolve our technical capabilities in a wide range of fields so that we can contribute to the future of our company and society as Toyota Group's only materials manufacturer.

Evolution of specialty steel making



2. People: Managing the power of people so that it becomes the power of the company

As per the expression "a company is its people," it is needless to say but it is our employees who will create the future of our company. I think it is more important that 100 of our employees can take one step forward, than for one of them to take 100 steps, which is why we are putting our efforts into developing human resources. For example, Toyota Motor Corporation and other group companies are implementing the Toyota Production System (TPS), Total Quality Management (TQM), and many other different activities to address issues, but at Aichi Steel, we are focusing on a program of education about these activities while continuing efforts to maximize the strength of our

organization. Even if faced with major difficulties or crises after accidents or other incidents, our whole company will work as one to address the issues while developing mechanisms that utilize these lessons and improve our problem-solving capabilities. When each of our employees moves forward step by step, the power of individuals becomes the power of the organization so that we can continue to grow as a company. In this way, we will continue pursuing ongoing steady growth, even if it is little by little, like the rings of a tree that continue to be formed regardless of environmental change.

3. Global Environment: Contributing to a sustainable global environment and society

As a resource-recycling company that manufactures products using steel scrap as a raw material, we do not find it difficult to understand initiatives to realize a sustainable global environment and society. By evolving our ESG management and power of manufacturing through value creation, we will work to address social issues, achieve a balance between a sustainable global environment and society and the growth of our company, and contribute to prosperous and enjoyable lives for all.



I Realizing Our Vision Through “Ambidextrous Management” that Transforms Our Business

In fiscal 2021, we launched a new Medium-term Management Plan. As our action plan under Vision 2030, which is one of our frameworks, this new plan is based on three management guidelines. During the first year of

the plan, the management philosophy that we put into practice produced results that helped us realize our ability to continue delivering outcomes.

Working to Address Carbon Neutrality and Achieve Growth as a Company

Two of our goals at Aichi Steel are to reduce CO₂ emissions by 35% by 2030 (compared to fiscal 2013), and to achieve carbon neutrality by 2050. As a heavy user of electric energy, becoming carbon neutral will place a heavy burden on us in terms of energy costs and development costs in manufacturing. On the other hand, development of technologies and products for protecting the global environment is essential, and this is where we see business opportunities. Our policy is to approach carbon neutrality from both of these angles to achieve growth as a company. We have designated four of our production sites as “carbon neutral model plants.” They are the Kariya Plant (stainless steel production), Gifu Plant (electronic component production), Seki Plant (magnetic powder production), and Higashiura Plant (magnet and magnet attachment production). In fiscal 2021, we achieved carbon neutrality at three plants (Gifu, Seki, and Higashiura) through procurement of electricity from renewable energies using a Feed-in Tariff (FIT) scheme. At the Kariya Plant, we plan to start using carbon neutral city

gas* during fiscal 2022. We are also developing energy-saving technologies that achieve thorough energy savings and reduce electricity consumption. In our products business, in addition to developing products for electrified vehicles, we are also developing a range of new products like heat storage systems.

In December 2021, we declared our support of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Then in June 2022, we made disclosures in four areas (governance, strategy, risk management, and metrics and targets) according to the TCFD recommendations. With society becoming increasingly aware of the importance of climate change-related risks, we feel a need to put even more effort into related initiatives with a sense of urgency. Going forward, we aim to create a low carbon society by driving a number of initiatives, including considering the introduction of innovative electric furnaces, developing heating technologies based on hydrogen and ammonia, and using vehicles within our facilities that run on biofuels.

* Carbon neutral city gas is produced using liquefied natural gas (LNG) that offsets CO₂ emitted throughout the process from natural gas extraction to combustion by reducing and absorbing the CO₂ through forest conservation and other projects (carbon offsetting).

Always Anticipating Changing Times and Considering Measures in Response

Realization of a low carbon society will create changes in social structures and bring about business transformations in companies. At Aichi Steel, we will not only extend the power of manufacturing in existing businesses, but utilize it in the creation of new businesses as well. We will also put ambidextrous management into practice to both maintain and grow our profitability. At these times, it is important that we always anticipate changing times and consider measures in response.

While accelerating the development of products for automobiles that are becoming electrified, we started a new production line in January 2022 to produce new output shafts for the electric axles at the heart of electrified vehicles, and we are creating products optimized for electrification. Then in February 2022, we announced the world's first successful

verification of technologies for next-generation electric axles that are compact, lightweight, high speed, and fast deceleration. Until now, the issues the development and mass production of electric axles faced were resource risks and improving power efficiency. Next-generation electric axle technologies, however, have eliminated these issues and have achieved a balance between environmental performance and product quality. We aim to further refine these technologies going forward and achieve commercialization as early as possible. In the past, we always provided individual materials and parts, whereas electric axle products combine multiple technologies and parts that we specialize in. Therefore, they are truly epoch-making products that leverage the strengths of our integrated forging and steel making processes in the electrification of vehicles.

Simultaneously, we are also aiming to create new markets going forward by developing new stainless steel products as new businesses for the company, as support for the future hydrogen society and for rebuilding aging infrastructure. In addition to stainless steel, we are also working on functional products for the next generation, including electronic components, magnets, and sensors. These are new fields that

bring our DNA to life, from our start as a steel maker, and where we can make full use of the technologies and knowledge we have inherited from the past. In both existing businesses and new businesses, we will leverage our founding spirit and the power of manufacturing that has been passed down to us as we work to achieve sustainable growth through ambidextrous management.

Human Resource Development that Supports Future-Focused Change

To develop human resources capable of supporting ambidextrous management, it is important to focus on education, including about TPS and TQM above. It is also important that employees can feel personal and company growth through their work while also feeling that they are contributing to the company and to their future security. We also need to provide an active work environment with an open atmosphere, so we have established a Workplace Culture Reform Project led by executive officers to accelerate these initiatives. We are aiming to create a corporate culture where the organization and people are able to naturally grow together. We are also focusing on development of the

working environment, with more comfortable factory rest facilities, employee canteens, new dormitories for single employees, and parking lots. We will continue to apply this human capital policy going forward in expectation of more and more independent and autonomous employees. The five frameworks that we are currently formulating are not intended to remain fixed into the future. Flexible amendments and additions will be required as the situation changes. As such, we will also consider a sixth framework in the future to focus on human resource development to support changes in our business portfolio.

I A Sense of Purpose for the Future and a Willingness to Pioneer New Frontiers

Steep rises in the costs of raw materials and energy, and increasing popularity of electrified vehicles, have dramatic impacts on our existing business operations. However, what I am always telling our employees is that while it is necessary to maintain a realistic sense of crisis, the future is certainly not bleak. I want them to focus on that light in the distance, put ambidextrous management into practice, and put their efforts into what they need to do today. Let's aim to become

the Company of Choice Globally, which is our Vision 2030, while putting our minds together and continuing to take on the challenges of an age where the answers are not always evident. By investing the high aspiration of our founding spirit and our evolved manufacturing technologies, and by creating value that is unique to Aichi Steel, we will achieve sustainable development of both society and our company.



Value Creation Process

Aichi Steel's Business Environment

- Accelerating decarbonization
- Automobile industry transition
- Dwindling workforce
- Development of digital transformation technologies
- Biodiversity
- Resource recycling
- Increasing geopolitical risks
- Pandemic response

Three Management Guidelines to Realize Vision 2030

- Contribution to a sustainable global environment
- Creation of a prosperous society through business reform
- Employee happiness and corporate development



INPUT

Human Capital	<ul style="list-style-type: none"> Investment in education (per person) 21,000 yen Time spent in education (per person) 14.9 hrs Number of employees 4,740
Manufactured Capital	<ul style="list-style-type: none"> Capital expenditures 15.8 billion yen
Natural Capital	<ul style="list-style-type: none"> Electricity consumption (including renewable energy: 27 GWh) 1,012 GWh Steel scrap 1,129,000 t
Intellectual Capital	<ul style="list-style-type: none"> R&D expenses 4.34 billion yen R&D personnel 277
Social and Relationship Capital	<ul style="list-style-type: none"> Number of suppliers 401 Number of volunteers 5,876
Financial Capital	<ul style="list-style-type: none"> Share/ratio of equity attributable to owners of the parent 201.5 billion yen (55.3%) Investment in growth 20.1 billion yen

OUTPUT

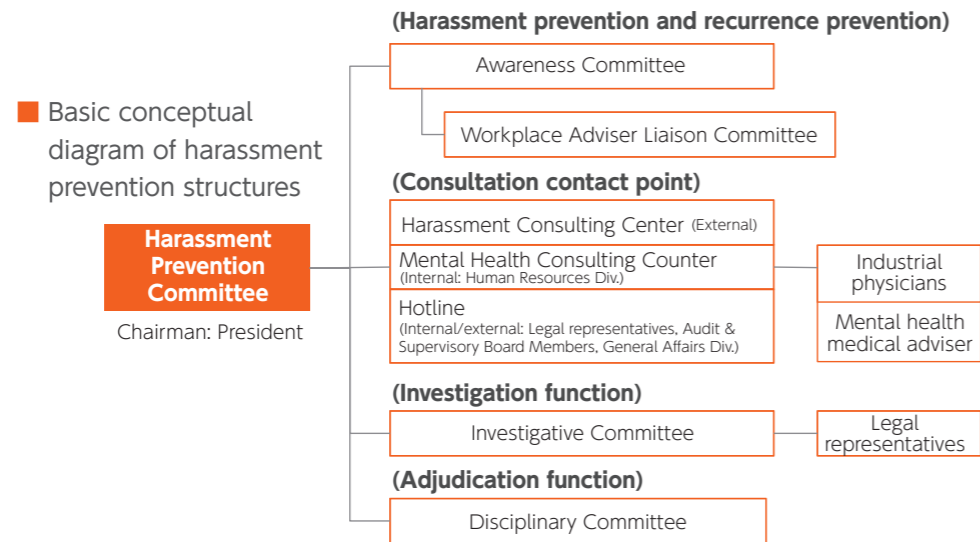
Human Capital	<ul style="list-style-type: none"> Employee turnover 1.2% Engagement evaluation (out of 5) 3.4 pts
Manufactured Capital	<ul style="list-style-type: none"> Crude steel production 1,045,000 t Forged product production 266,000 t Electronic component production 36,900,000 sets
Natural Capital	<ul style="list-style-type: none"> CO₂ emissions 631,000 t Byproduct recycling rate 99.2%
Intellectual Capital	<ul style="list-style-type: none"> Number of patent applications 54 Number of patents held 481
Social and Relationship Capital	<ul style="list-style-type: none"> Green Procurement Guidelines dissemination rate 100% Number of visitors on factory tours 858
Financial Capital	<ul style="list-style-type: none"> Operating cash flow 5.2 billion yen Total value and ratio of dividends 590 million yen (54.3%) ROE 0.6%

* All figures are accurate as of March 31, 2022

I Harassment

Harassment is not only an assault to personal dignity and a disturbance of the peace in workplaces, but it is a problem that severely impacts business management as well. This is why labor and management are working together to create harassment-free workplaces. We established the Aichi Steel Harassment Prevention Guidelines, and provide education to all executive officers and employees, to define measures for preventing harassment and rules for the company and employees to observe. We have also established dedicated

harassment consulting services internally and externally, and we are allocating consultants in each workplace to systematically suppress harassment while achieving early detection and resolution. Consultations, reports, and issues uncovered are quickly examined, and facts are confirmed, in an Investigative Committee made up of members of labor and management who work to prevent recurrence through strict measures, education of supervisors, and other actions.



I Safety

We recognize that "safety takes priority over all," and we apply the Basic Philosophy for Safety and Health that says "Safe work, Reliable work, Skilled work. Safe work is "the gate" to all work. Let us pass through this gate." With this in mind, employees and everyone else working on our premises aim to create safe and secure working environments and to transform into a company with a safety culture.

Safety and health activity policy

To help prevent accidents, we are working on the three pillars of "safety management," "development of safety-conscious human resources," and "fundamentally safe designs." For safety management, we are developing risk assessment tools able to reliably identify sources of danger. For development of safety-conscious human resources, we are working to foster people who can learn

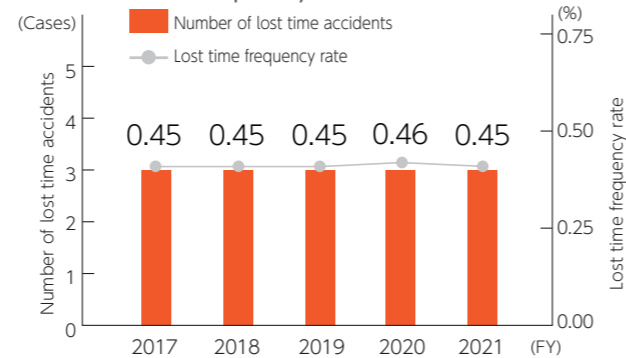
knowledge and skills, maintain a strong awareness, and promote mutually beneficial communication. For fundamentally safe designs, in the facility design stage, we are enhancing the standard of zero points of contact between people and sources of danger. We will continue strengthening these three pillars into the future as we work to create safe workplace environments.

Basic conceptual diagram of safety and health



* Occupational Safety and Health Management System

Number of lost time accidents and lost time frequency rate



Employee engagement

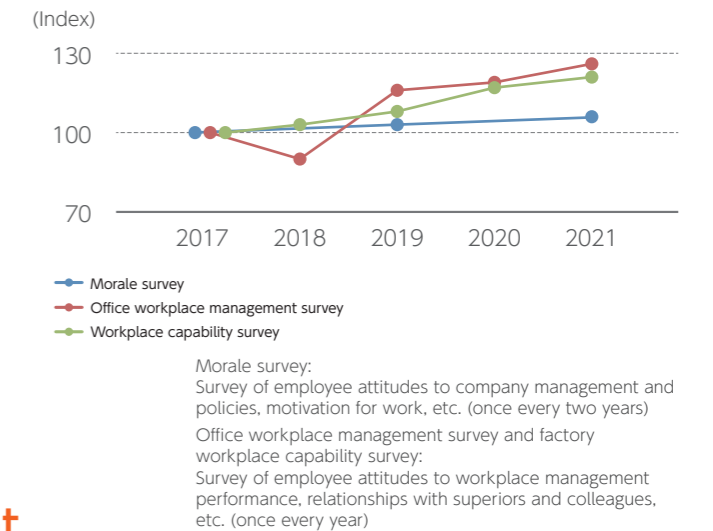
Creating structures where the company and individuals share objectives and targets, and can each grow, will encourage each employee to take on challenges and will lead to an organization able to meet the challenges of any changes in the business environment. This is why it is important that each of our employees can continue to grow through their work, and can maintain motivation in their work. It is also why we conduct regular surveys and take whatever measures are required.

I FY2021 achievements and future initiatives

For individuals to grow, they need a nurturing base, or culture, and to create such workplaces, we have launched a three-year Workplace Culture Reform Project. We started by making the behavior and care of our supervisors more visible. Going forward, we will provide mutual learning opportunities for our supervisors, and establish evaluation methods that will lead to further improvements.

By rebuilding deteriorated dormitories for single employees, further enriching the teleworking environment, and conducting other initiatives, we will remove stresses from daily living and develop environments where our employees can concentrate on their work anytime and anywhere.

Changes in evaluation of employee engagement (calculated as an index with FY2017 being 100)



Human resources development

For Aichi Steel to remain the company of choice for customers, as a company that expands the possibilities of manufacturing through materials, we must improve our ability to flexibly respond to changes around the world. For this reason, we have added Human Resources Development to Vision 2030. We will now follow this plan to ensure we develop and secure human resources with both expertise and basic skills.

I Adaptability to change

In times of increasing uncertainty and a future that is hard to see, rather than defining a single destination, it is important that we both increase the level of expertise required at present, and refine basic skills to be able to adapt to any change. These basic skills include the skills and problem-solving capabilities acquired over many years, and the digital literacy that is necessary now.

Our basic approach to teaching skills and problem-solving capabilities is to employ on-the-job training, so we have expanded our training systems in the

belief that group training programs will improve the effectiveness of that training. We are also improving the synergies of on-the-job and off-the-job training by enlisting senior employees, who have acquired instructor education in group training programs, to guide our junior employees.

For digital literacy, we formulated a training program in fiscal 2021 and started implementing that program in fiscal 2022. In the future, we will expand the knowledge training required for business reform to all employees, and we will both select and develop DX Leaders to drive that reform.



Remote delivery of digital literacy education



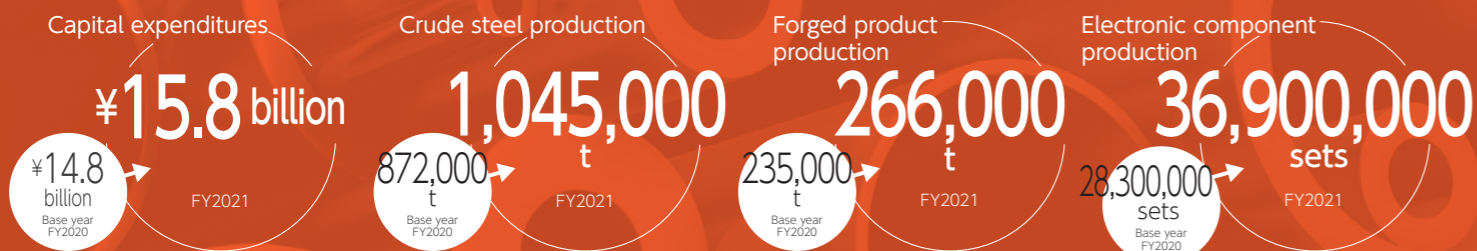
President Fujioka teaching problem-solving directly to managers



Capital to create value

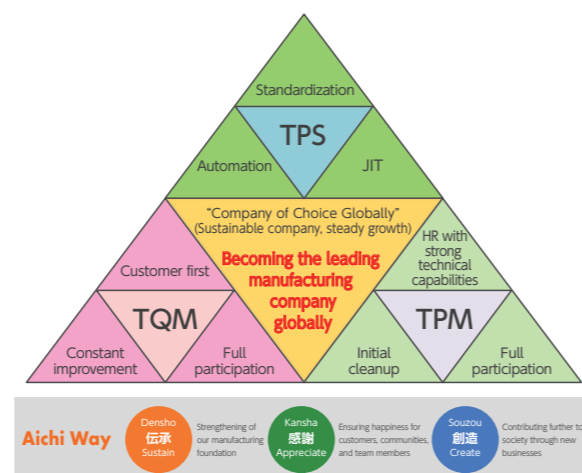
Manufactured Capital

With its high strength, heat resistance and a range of other functions and characteristics, specialty steel is one of Aichi Steel's main products. It merges many cutting-edge technologies of Japan's steel industry and underpins customer manufacturing and society as a material used in the core components of automobiles and industrial machines. The source of this success is our manufacturing capabilities focused on high quality and low cost, fostered since the company was founded, and our production systems that enable stable, on-time delivery of products to customers around the world.



Evolution in manufacturing capabilities

Aichi Steel has always focused on the manufacturing capabilities of integrated forging with steel making processes, which cover everything from material design to production of steel, forged products, and electronic components at a single site. This has enabled us to provide our customers with highly functional, high-quality materials and parts with high strength, durability, and machinability. The source of our manufacturing capabilities are a range of initiatives to pursue and improve specific consumption and to thoroughly reduce costs based on the Toyota Production System (TPS), Total Quality Management (TQM), and Total Productive Maintenance (TPM). During fiscal 2021, we worked to improve productivity through a range of initiatives, including reducing casting time in the steel making process and optimization of product types on the product rolling lines. Going forward, one of the things that we will focus on is achieving resilience in our production capabilities so that we can respond to dramatic short-term fluctuations in demand.



Global production system

Aichi Steel has developed a global production system to meet customer needs for overseas production and local procurement, and provide safe and secure production to the world. By also sharing our accumulated manufacturing knowledge throughout the entire group, we are providing support to manufacturing operations globally. Even in times of sudden disaster, we are able to distribute production risk through an extensive backup system that enables individual items manufactured by each site to be manufactured to an equivalent level at other production sites. During the COVID-19 pandemic as well, our production sites worked together to maintain product supplies without interruption.

Quality Management System (QMS)

The provision of safe products and services to society is one of our important values in the Aichi Steel Group Action Guidelines. To put this guideline into practice, we are promoting quality improvement activities in line with the three pillars of Vision 2030—quality management, development of safety-conscious human resources, and fundamentally high quality designs. We are also working to achieve customer satisfaction and trust through the provision of appropriate information and honest communication. In addition, we obtain third-party and international certifications such as ISO 9001 (quality management systems), undergo regular audits and renewal audits, and work to maintain and improve our quality management.

I Efforts to obtain IATF 16949 certification

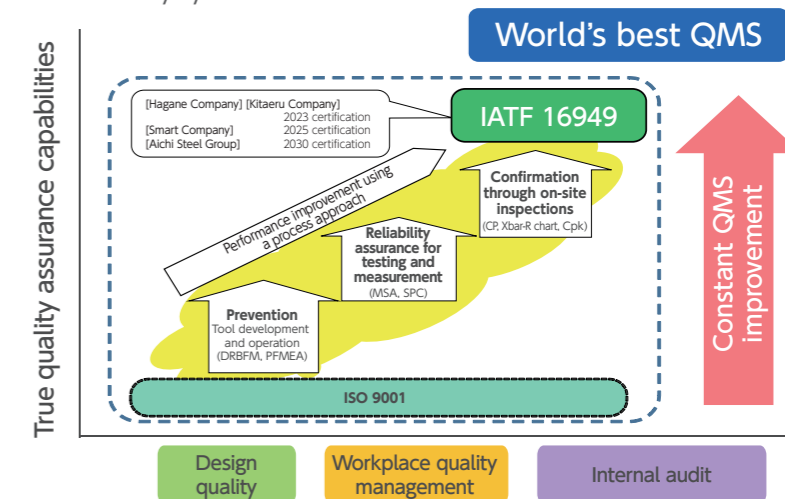
We selected "quality management" as a theme for reform from among our three-pillar activities, and we are working to obtain certification under the IATF 16949 Standard*. We are developing the world's best quality management system, and contributing to greater safety and security for society, to meet the demands from customers for not only quality of products, but quality of business operations as well.

* IATF 16949 is an international standard for quality management systems specialized for the automotive industry and used by many of the world's automakers as their global procurement standard for automotive parts

Acquisition status of quality ISO certification

- Steel products and forged products**
 - Passed surveillance audit for ISO 9001 (October 2021)
- Electro-magnetic products**
 - Passed renewal audit for ISO 9001 (December 2021)
 - Passed renewal audit for ISO 13485 (January 2022)
- Laboratory accreditation**
 - Passed surveillance audit for ISO/IEC 17025 (March 2022)

Activity system chart



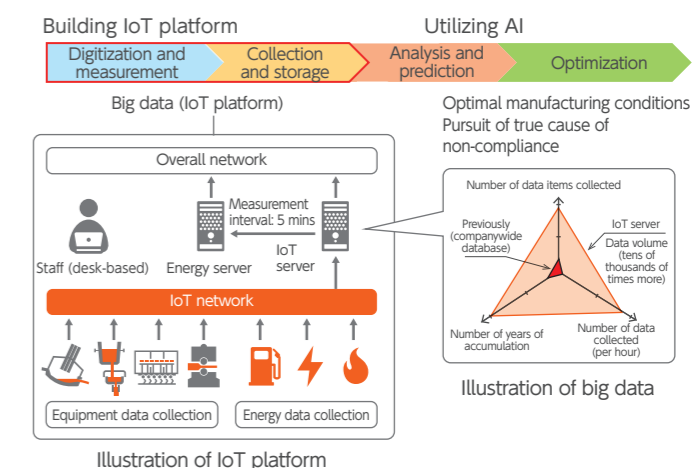
Smart factories

We are working with big data, comprised of equipment data and energy data managed centrally on IoT servers, to create an IoT platform. Aiming to create lean plants that enable us to manage optimal manufacturing conditions, we analyze our accumulated data using AI and other technologies, and develop environments that enable essential measures for achieving further quality and productivity improvements.

I Utilization of big data

We have completed development of an IoT platform at some of our plants already, and this enables us to easily check a range of operational data remotely and in volumes that are tens of thousands of times greater than previously. As a result, we have seen dramatic increases in problem-solving speed and reductions in the amount of time required to recover operations after equipment breaks down. We will also utilize big data in the future, including analyzing various operational data and energy data, in our energy conservation activities. We will continue efforts to be able to utilize big data at all of our domestic sites by 2026.

Smart factories (IoT-based operation improvement)

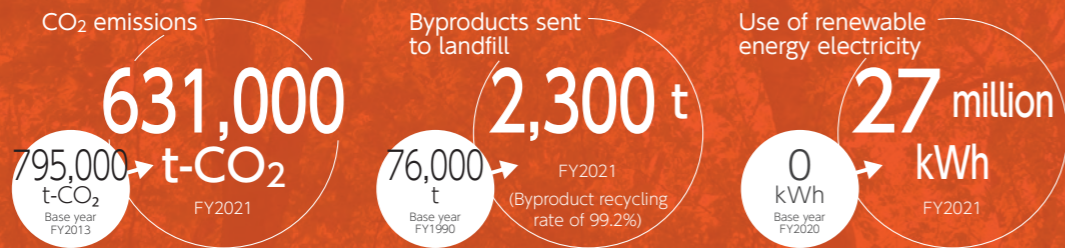


Capital to create value



Natural Capital

Aichi Steel is a heavy user of energy, using electricity and fuel in the product manufacturing processes for melting steel scrap, heating materials, and other purposes. Together with our use of industrial water, we have a close relationship with natural capital, so that any deterioration of the natural environment can have a serious impact on our business activities. On the other hand, by using the technical capabilities we have accumulated as a resource-recycling company, we can contribute to preservation of the global environment. In this way, we make efficient use of our natural capital and reduce our environmental burden.



Environmental management

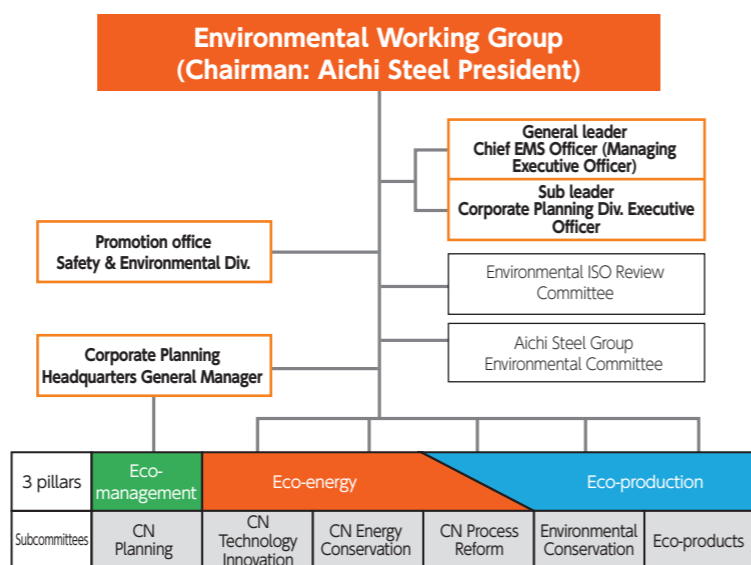
To achieve the Vision 2030 management guideline of "Contribution to a sustainable global environment," we formulated Aichi 2025 Environmental Action Plan to chart a course of action through to 2025. We defined targets to accomplish by 2025 and we are currently implementing a three-pillar approach (eco-energy, eco-production, and eco-management) to help achieve those targets.

Conceptual diagram of environmental policies



Promotion system

We are working to implement environmental management through effective employment of the PDCA cycle mainly through the Environmental Working Group, which operates under the supervision of our Board of Directors with the president as chairman. Following company policies and the Aichi Environmental Action Plan, the Environmental Working Group is in charge of executing strategy, establishing targets, and checking progress. We have also established six subcommittees, with clear areas of responsibility, that are conducting efficient and targeted activities.

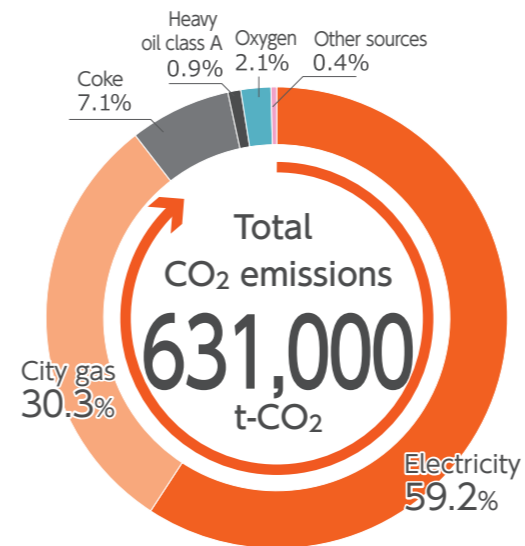


Eco-energy

Approximately 90% of CO₂ emissions at Aichi Steel come from the use of electricity to melt steel scrap, a raw material in our steel making process, and from the use of city gas to heat steel products. For this reason, we are developing technologies for more efficient use of energy in our electric furnaces and other heating furnaces, expanding the energy-saving activities that we have previously committed to in our manufacturing processes, and adopting clean energy from solar and other power generation methods.

Breakdown of CO₂ Emissions in FY2021

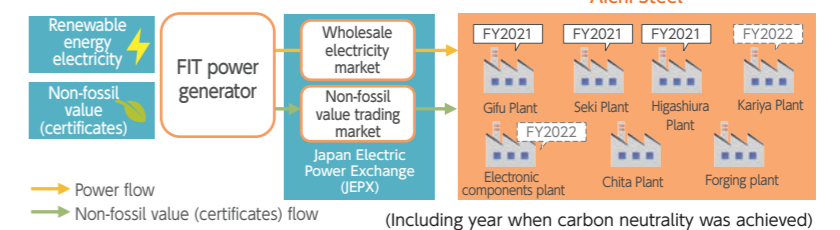
Scope 1+Scope 2 emissions from Aichi Steel Corporation on a non-consolidated basis



Increased adoption of clean energy

In fiscal 2021, we switched our entire electricity consumption at three plants (Gifu, Seki, and Higashiura) to renewable energy through the purchase of FIT non-fossil fuel energy certificates, through which we achieved carbon neutrality. Going forward, we will systematically implement adoption of in-house solar power generation, use of biofuels for on-premises transportation, and introduction of hydrogen burners.

Illustration of the adoption of renewable energy electricity



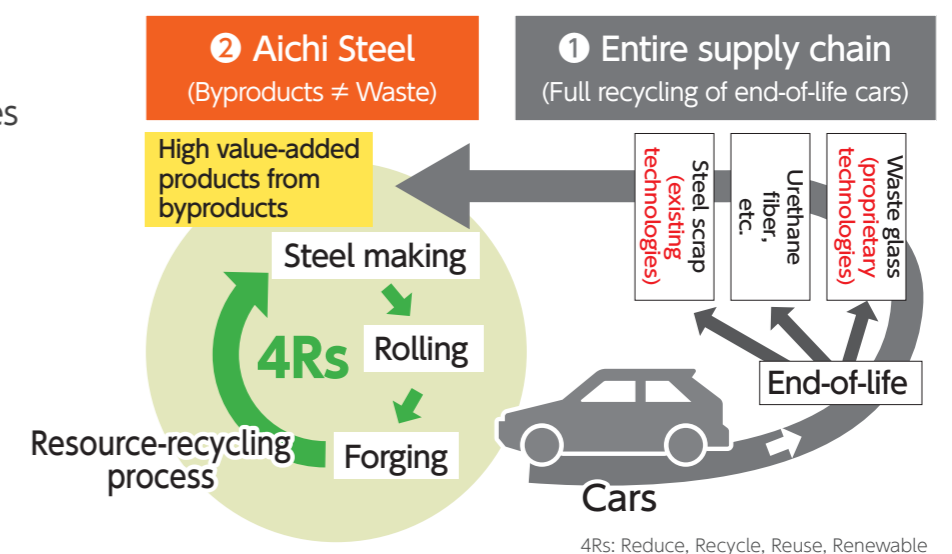
Eco-production

Aichi Steel is a resource-recycling company that recycles through manufacturing, such as by using steel scrap from end-of-life cars and other sources and resurrecting that raw material as high-quality steel products, automotive components, and other products. We are developing environmentally friendly products and technologies that contribute to decarbonization of society, contributing to next-generation infrastructure to realize a hydrogen society, and pursuing resource recycling.

Contributing to decarbonization through development of environmentally friendly products and technologies

Aiming to achieve 100% recycling of cars, which also use many of our products, we are collaborating with the Toyota Group to develop technologies and establish an environmentally friendly recycling system. In addition, we are working to develop and implement heat storage systems for recovery and storage, and on-demand use, of the high-temperature exhaust heat from our plants and other operations.

Illustration of efforts for 100% recycling of end-of-life cars



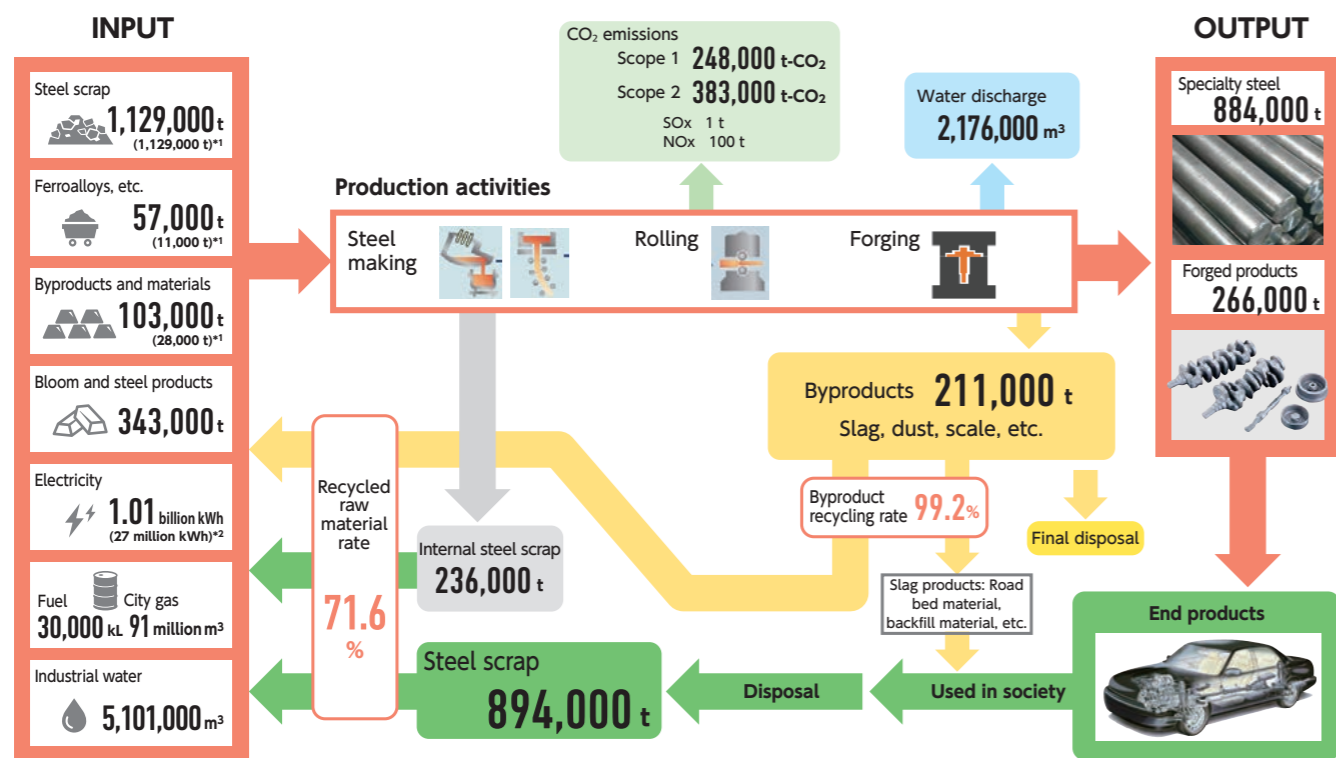
Contributing to next-generation infrastructure: Stainless steel for high-pressure hydrogen applications

To realize a hydrogen society, we need new infrastructure designed to produce, transport, store, and use hydrogen. Leveraging many years of stainless steel production knowhow, we were the first company to develop stainless steel for high-pressure hydrogen applications, which has already been used for high-pressure hydrogen equipment

for hydrogen stations and for Toyota's MIRAI fuel cell car. To further expand use in the future, we are also accelerating efforts to develop high-strength, highly functional, resource-saving stainless steel with outstanding high-pressure hydrogen embrittlement resistance.

Pursuing resource recycling: Zero emission activities

We are conducting 4R activities (Reduce, Recycle, Reuse, Renewable) to effectively use our limited resources and energy without waste. At least 70% of the raw materials in our production activities come from recycled products, while we also reuse 99% of the byproducts (steel slag, refractory bricks, etc.) from our production processes.



*1 Amount of raw materials. *2 Amount derived from recycled energy

Eco-management

Aichi Steel uses large volumes of water in the manufacturing process, including for product heating, cooling, and cleaning. For this reason, we aim to minimize environmental impact and coexist with the global environment through clean water and air, so we are working to fulfill our environmental responsibilities, preserve nature and biodiversity, and proactively communicate and disclose environmental information. We are striving to reduce SOx, NOx, and other emissions in the production processes, and make effective use of our precious water resources while preventing discharges, and we publicly disclose our performance. To preserve nature and biodiversity, we have been planting a broadleaf forest in about 20,000 m² of Nakashinden green spaces around our plant, and using this as part of a nature conservation program.



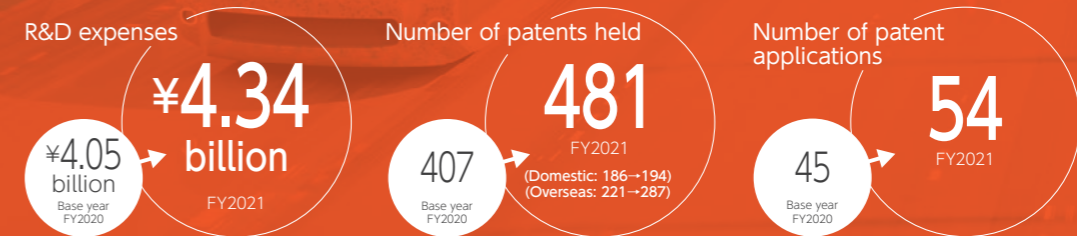
Creating and installing an "insect hotel" habitat for insects in Nakashinden green spaces as part of biodiversity preservation initiatives

Capital to create value



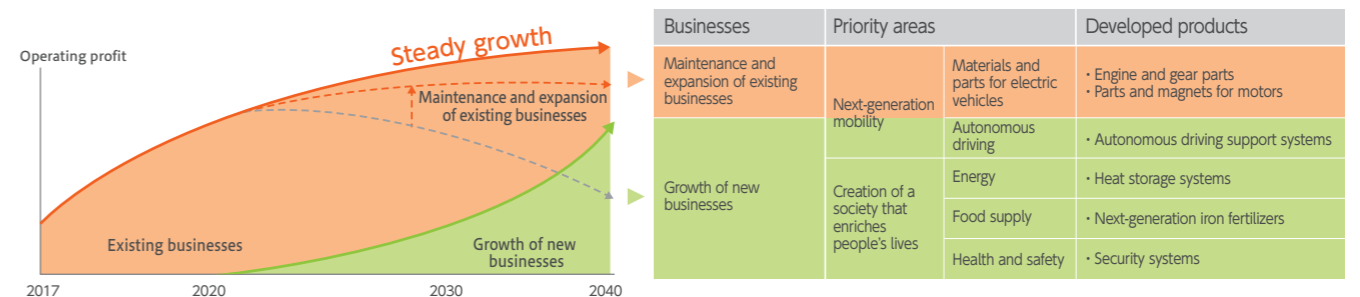
Intellectual Capital

To achieve the Vision 2030 management guideline of "Creation of a prosperous society through business reform," we believe that conducting research and development in line with our business strategy, and helping to address social issues by reforming existing businesses and creating new businesses, will lead to sustainable growth for our company. For this reason, we are focusing on development in the five priority areas stipulated in Vision 2030 while implementing initiatives for effective utilization of our intellectual property.



Research and development

To achieve steady growth into the future, we are implementing ambidextrous management through research and development aimed at maintaining and expanding existing businesses and growing new businesses. Specifically, we aim to contribute to next-generation mobility and the creation of a society that enriches people's lives by promoting development in five priority areas where we can leverage our strengths as a materials manufacturer.



Intellectual property-related initiatives

1. Activity policy

We take a threefold approach to intellectual property activities: (1) proactive intellectual property (business expansion and challenges), (2) defensive intellectual property (business stability), and (3) basic activities (human resource development and system building). Our aim for these intellectual property activities is to achieve steady growth by setting targets and conducting activities in each of these areas.

2. Promotion system

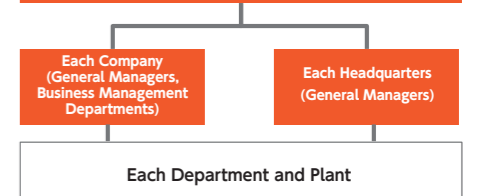
We have established an Intellectual Property Committee, which drives our intellectual property activities, with the Research and Development Headquarters General Manager as chairman, the Technology Management Officer as vice chairman, and Company General Managers, Headquarters General Managers, and Technology Department General Managers as members.

3. Patent quality improvement

In the past, our activities were aimed at protecting the intellectual property arising from our research and development. On top of that, we have also been prioritizing use of our intellectual property since fiscal 2021 to protect the competitive advantage of our businesses. We are working to improve the quality of our patent applications by strategically applying for patents through a collaboration between our development and intellectual property divisions while maintaining a certain number of patent applications. We are also conducting priority investment of research and development expenses and personnel into new technologies related to our five priority areas, with a focus on new businesses, with the aim of building a high-quality intellectual property portfolio.

Intellectual Property Committee

Chairman: General Manager (Managing Executive Officer), Research and Development Headquarters
Vice Chairman: Technology Management Officer (Executive Officer)



Members: Company General Managers, Headquarters General Managers, and Technology Department General Managers

Members: Company General Managers, Headquarters General Managers, and Technology Department General Managers

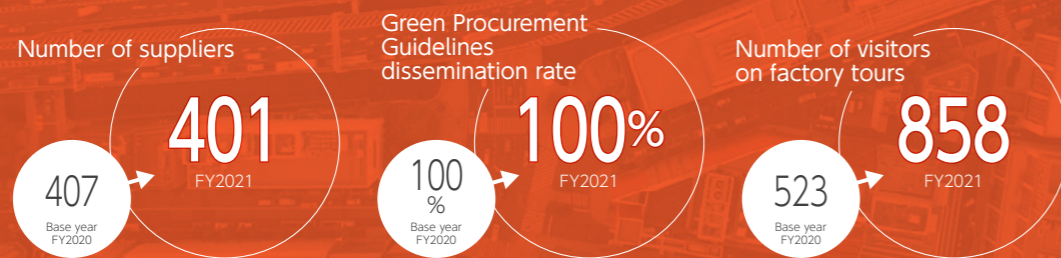
Members: Company General Managers, Headquarters General Managers, and Technology Department General Managers

Capital to create value



Social and Relationship Capital

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



Initiatives to promote dialogue with stakeholders

Stakeholders	Initiatives to promote dialogue	FY2021 achievements
Customers	<ul style="list-style-type: none"> Customer consultation service: Improvements by responding to customer comments and providing feedback internally 	Number of inquiries 1,341
Shareholders and investors	<ul style="list-style-type: none"> Shareholder's Meeting: Business reports, discussions and resolutions on financial account items, and Q&As with shareholders Dialogue with investors: Dialogue through financial account and future strategy briefings, individual meetings, etc. 	Number of dialogues with institutional investors (total) 15
Employees	<ul style="list-style-type: none"> Regular meetings of the Labor-Management Committee: Mutual understanding between labor and management, discussions and negotiations, and exchange of opinions Attitude surveys: Surveys on organizational and workplace culture, working lives, etc. 	Number of meetings between labor and management 20
Suppliers	<ul style="list-style-type: none"> Suppliers Convention: Sharing of procurement policy, mutual learning opportunities, strengthening of partnerships 	Number of participating companies 125
Local communities	<ul style="list-style-type: none"> Collaboration and volunteer activities with NPOs, etc.: Communication through proactive participation in social contribution activities and community volunteering activities Collaboration with industry groups: Proposals concerning common industry issues and facilitation of information sharing through the Special Steel Association of Japan, etc. 	Number of volunteers (total) 5,876

Contributing through company sports activities

One of our action guidelines is "As a 'Good Corporate Citizen,' we will participate positively in CSR activities." In line with this, we conduct activities that contribute to local communities through our athletics teams. We hold sports clinics for children where we teach the fun of sports, not just skills, and the importance of working toward a goal. Many athletes are able to balance their sporting activities with company work while excelling at the top level, so our sponsorship of such athletes leads to feelings of belonging to a group, and motivation to work, among our employees.



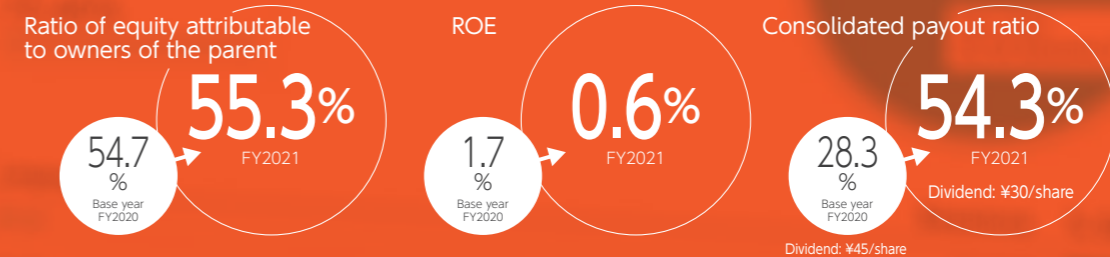
In a first for Japan, Toshikazu Yamanishi won a second consecutive gold medal in the 20 km race walk event at the 2022 World Athletics Championships



Capital to create value

Financial Capital

We believe that it is important to grow sustainably and continue to provide value to our stakeholders in any business environment. This is why we aim to balance investment in growth with shareholder returns by maintaining and improving stability, profitability, and efficiency while ensuring a solid financial foundation by procuring optimal financing as required based on operating cash flow.



Robust financial health

Using ratio attributable to owners of the parent, debt-equity ratio, and other indicators, the Aichi Steel Group maintains good financial health, for which it has received an "A" rating from the Japan Credit Rating Agency. While maintaining financial health, we will continue to target improved profitability and steady growth through optimal distribution of resources, including research and development and capital investment for sustainable growth.

"A" rating
Japan Credit Rating Agency

Profitability-improvement initiatives

In fiscal 2021, we practiced thorough Genryou Management* throughout the company and leveraged the Toyota Production System (TPS), Total Quality Management (TQM), and Total Productive Maintenance (TPM) to improve our underlying strengths of

manufacturing. As a result, we reduced costs by 1.7 billion yen year-on-year. Due to increasing costs of raw materials and energy, ROE (return on equity) was only 0.6%. We will continue to improve our manufacturing capabilities, as the source of our competitiveness, and increase profitability.

* Genryou Management (managing with limited order quantities) means building structures that are profitable even with small production volumes by lowering costs and break-even points, and maintaining those levels.

Shareholder returns

We consider respect for shareholder profits to be an important management policy, so we strive to achieve long-term, stable shareholder returns. We aim to deliver a consolidated payout ratio of 30% for dividends, which we decided in consideration of our business performance and financial situation while maintaining the internal reserves required for sustainable growth. From the perspective of ensuring stable shareholder returns, we distributed 30 yen per share as our full-year dividend for the fiscal year ended March 31, 2022, despite this exceeding the target consolidated payout ratio.

Dividends per share

¥30

Fiscal year ended March 31, 2022

Hagane Company

Hagane

Toshio Ito

Managing Executive Officer and
Hagane Company President

Profile

Toshio Ito took on the role
of Hagane Company
President in April 2022.



Contributing to these SDGs



Value for Society

As a resource-recycling business using steel scrap as a raw material, the Hagane Company leverages its technical strengths, and integrated forging with steel making processes, to evolve by adapting to society's needs. In this way, it always provides outstanding specialty steel and contributes to the development of an environmentally friendly, safe and secure mobility society.

Business Overview

In the spirit of "Great cars are made with great steel," and based on the experience and technologies we have accumulated so far, we provide various specialty steel products that take advantage of high quality that contributes to automobile safety.



Specialty steel materials



Automotive parts made with specialty steel

Strategies in the Medium-term Management Plan

With fluctuating demand for specialty steel in Japan, we are currently focusing on achieving flexibility in our production systems, and enhancing our Genryou Management. At the same time, we anticipate future declines in demand for specialty steel along with the shift to electrification of automobiles. Therefore, we are strengthening our product development capabilities by leveraging our integrated forging with steel making processes that support CASE applications, and we are using India's Vardhman Special Steels Limited to expand new businesses globally starting from India and ASEAN. We are also working to strengthen the foundations of our existing businesses through iron source reform, which

aims to reduce manufacturing costs by expanding the use of low-cost steel scrap. Other efforts include development of small-section continuous casting technologies, which aim to reduce CO₂ emissions by shortening manufacturing processes and achieve upward flexibility of our steel making capabilities, and enhancing our cost competitiveness by re-engineering our production lines (fundamental reform). By continuing to implement ambidextrous management as well, we aim to achieve steady growth while driving carbon neutrality to become the leading manufacturer of specialty steels and contribute to the development of a mobility society.

Priority issues	Initiative details
Product and sales strategies	<ul style="list-style-type: none"> Differentiation through manufacture of high value-added parts for electric vehicles through integrated forging with steel making processes Development of a global supply system through expansion of forging and steel making businesses in India and ASEAN
Manufacturing strategies	<ul style="list-style-type: none"> Achievement of upward flexibility everywhere from steel making to rolling processes Cost reductions through iron source reform Shortened manufacturing processes through small-section continuous casting
Group collaborations	<ul style="list-style-type: none"> Expansion of the unique businesses of Group companies and development of new business models

Fiscal 2021 Business Performance

In response to the high demand for specialty steel, we ensured customer supplies through companywide projects to boost capacity, which enabled us to achieve a record net sales result. Although we managed to reduce costs through activities focused on specific consumption, aimed at delivering profits through higher volumes, the reductions were not enough to cover the increased costs of raw materials and energy, which resulted in a negative profit for the business.

Net sales (billion yen)



Business Environment

Drastic increases in the cost of raw materials and energy, which account for 80% of the cost of specialty steel, and sudden fluctuations in order volumes due to semiconductor shortages and other issues are continuing. Despite this extremely difficult business environment, we are driving efforts from every angle (sales, purchases, and production) to recover and improve business profitability. Over the medium to long term, demand for specialty

steel in Japan is expected to fall as the shift to electric vehicles accelerates further. However, global demand is forecast to improve as production and sales of automobiles increases. While responding to issues such as increasing costs associated with realizing carbon neutrality by 2050 and escalating price competition with our competitors, we are also working to expand our global business opportunities.

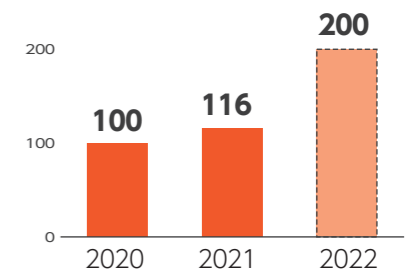
Progress and Future Initiatives

Business profitability improvement

As part of our response to the increased costs of raw materials and energy, we will carefully explain to customers any costs that we are unable to absorb ourselves to gain their understanding and reflect the costs in selling prices.

Initiatives on the production side include (1) achieving upward and downward flexibility, (2) enhancing our Genryou Management, (3) reducing costs by focusing on energy specific consumption and labor productivity, and (4) creating scrapyards, developing technologies for using low-cost scrap, and expanding the supply chain, to ensure stable supplies of steel scrap. All of us in the Hagane Company are working hard to improve business profitability.

Energy cost index (electricity)



Small-section continuous casting technology development

We are working on the development of small-section continuous casting technologies for steel products for automobiles with the aims of reducing CO₂ emissions by shortening manufacturing processes, and achieving upward flexibility of our steel making processes. In addition to the technologies we have developed over the years, we are utilizing digital transformation to develop basic technologies, using existing machines, according to plan. We aim to begin mass production by the end of fiscal 2023, so we will adopt new machines in October 2022 to accelerate development.



Small-section continuous casting machine for reducing CO₂ emissions (currently under development)

Capital tie-up with Vardhman

To grow our global specialty steel business, we entered a capital tie-up with India's Vardhman Special Steels Limited in 2019, and started providing them with technical support. In a collaboration between local staff and Aichi Steel staff stationed at Vardhman, we are working to improve quality and cost competitiveness and build a stable global supply system for specialty steel. In this way, Aichi Steel staff have been able to dramatically improve quality through support activities. We have also started evaluations with customers in preparation for passing control of our ASEAN regional product supply system to Vardhman in 2023.

With demand for specialty steel forecast to increase as automobile production increases in India, we will work hard to expand sales of Vardhman materials.



Providing technical support at Vardhman

Stainless Steel Company

Company President Message

Stainless Steel

Kazuya Fukatsu

Stainless Steel Company President

Profile

Kazuya Fukatsu took on the role of Stainless Steel Company President in April 2020.



Contributing to these SDGs

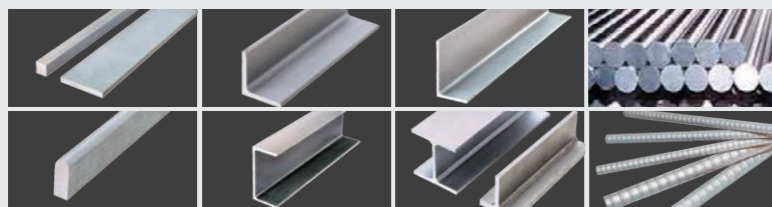


Value for Society

The Stainless Steel Company is a supplier of stainless steel materials (hot rolled flat bars, formed steel, round bars, and steel bars) and provider of enhanced stainless steel building structure engineering functions (design partnership, components and parts machining, and onsite installation) through which it helps customers to shorten processes and reduce costs. It is also contributing to the realization of the hydrogen society and rebuilding of infrastructure.

Business Overview

Since 1958, when we started producing Japan's first hot-rolled stainless steel angle bar at the Kariya Plant, where we were founded, we have provided the market with over 4,000 products of different shapes, dimensions, and steel types, while also providing stainless steel building structure engineering functions.



Stainless steel materials



Example of stainless steel building structure engineering

Strategies in the Medium-term Management Plan

1. Enhancing supply capacity of stainless steel materials

In preparation for future demand increases, we will enhance supply capacity to 73,000 tons by the end of fiscal 2023, which will be 15% higher than fiscal 2019. We will also further enhance capacity to 90,000 tons, or 25% higher, by 2026.

2. Expanding stainless steel building structure engineering functions

To capture demand in growing fields, we will enhance our capabilities in design partnership, plant production, and onsite installation. We will also increase direct drawing-based dialogue with customers.

3. Achieving carbon neutrality at Kariya Plant

At the Kariya Plant, we are working toward carbon neutrality by March 2023.

Accelerating 7 projects

7 projects

Project 1	Restructuring product strategies	Optimizing the product range and manufacturing processes
Project 2	Planning alliances	Investigating external ties rather than being closed to them
Project 3	Expanding stainless steel parts, structures and constructure businesses	Enhancing steel building structure engineering functions
Project 4	Enhancing ties with consolidated subsidiaries	Expanding collaborations with Aiko Corporation and Aichi Techno Metal Fukuami Co., Ltd., etc.
Project 5	Improving production	Proposing future plant layouts
Project 6	Creating new markets	Strengthening approaches to the hydrogen society and rebuilding of infrastructure
Project 7	Achieving carbon neutrality at Kariya Plant	Creating sustainable, attractive plants

Fiscal 2021 Business Performance

Sales volumes increased with the recovery of demand after COVID-19 in a wide range of fields, including semiconductor-related products. We also revised our selling prices in line with the increasing costs of our main raw materials, including stainless steel scrap and nickel, and dramatic rises in the cost of energy from crude oil and other sources. As a result, sales increased by 11.1% year-on-year.

Net sales (billion yen)



Business Environment

With the aging of Japan's infrastructure, including the roads, rivers, dams, and sewage systems developed from the period of rapid economic growth, government-led demand for infrastructure upgrades is expected. Private sector demand has also resulted in plans to construct many new factories for pharmaceuticals and food

products. The growth field of energy-related production (in particular, for the realization of a hydrogen society) is also expecting increased demand for stainless steel. To prepare for these future increases in demand, we are systematically enhancing our production capacity through capital investments.

Progress and Future Initiatives

The Stainless Steel Company is driving seven growth-engine projects based on strengthening its foundations by enhancing quality and preventive maintenance, and by creating bright and open workplaces that prioritize safety and the environment.

Project 3. Expanding stainless steel parts, structures and constructure businesses

Through this project, we will enhance our stainless steel building structure engineering functions through cooperation with design consulting firms and general contractors, including drawing-based design partnership, components and parts machining, and onsite installation. We will also strengthen collaborations with subsidiary Aiko Corporation to increase our manufacturing capacity.

Project 6. Creating new markets: New products

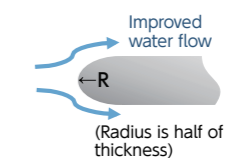
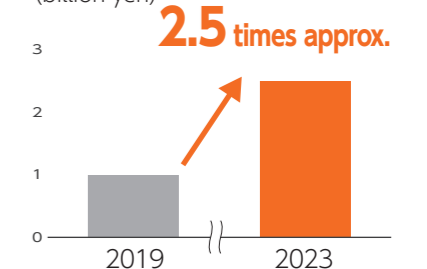
Through this project, in addition to the conventional flat bar with a single rounded-edge (compression bar) used for shipbuilding purposes, we have developed and launched a flat bar with round edges with improved water flow efficiency for impact mitigation (intake screen developed in collaboration with water treatment companies).

We will work with local government bodies and general contractors to expand use of these products.

Project 6. Creating new markets: Hydrogen

To help realize a hydrogen society, we will stimulate demand for stainless steel in every part of the hydrogen chain, from production, to liquefaction and storage, and transportation, to help popularize fuel cell vehicles and expand hydrogen station networks. We will also drive development of new stainless steel materials for use with high-pressure hydrogen by using the facilities for testing and evaluating steels under high-pressure gaseous hydrogen environments that we established at our Seki Plant in 2021.

Net sales for materials and components businesses (billion yen)



(Radius is half of thickness)



Double rounded-edge flat bar



Receptacle on the MIRAI fuel cell vehicle (hydrogen embrittlement resistance)

Hydrogen station filling nozzle
Photograph provided by: Hamai Industries Ltd.

TOPICS

Chita Plant's new main gate constructed with stainless steel

Using Aichi Steel engineering technologies and hot rolled stainless steel flat bar, which offers outstanding designability and durability, we completed construction of a beautiful main gate at the Chita Plant.

- Gate size (5,320 mm high × 8,370 mm wide).
- Steel material (SUS304 hot rolled flat bar, 300×20, 320×16, 320×20 mm etc.)

New main gate



Kitaeru Company

Company President Message
Kitaeru

Tetsuo Kondo

Managing Executive Officer and
 Kitaeru Company President

Profile

Tetsuo Kondo took on the
 role of Kitaeru Company
 President in April 2021.



Contributing to these SDGs



Fiscal 2021 Business Performance

In spite of adjusting production with customers due to semiconductor shortages, our overseas sales volumes in particular grew strongly due to the recovery of demand after COVID-19. As a result, net sales and business profit increased dramatically for the entire Kitaeru Company.

Net sales (billion yen)



Business Environment

We are expecting a reduction of the number of forgings used for cars due to expansion of electrification by 2030, mainly in Japan, North America, Europe and China. On the other hand, the demand for new products that support electrification will increase. In ASEAN countries and

other regions, development of the infrastructure necessary for electrification is an issue, so reliance on gasoline-powered cars will remain strong. We therefore see business expansion opportunities in both electric cars and conventional gasoline-powered cars.

Progress and Future Initiatives

Strategies for electrification and utilization of existing equipment

Our production line for new parts for electric vehicle e-Axles has started up on schedule in 2022. Aiming to evolve into a finished product manufacturer, which is one of our priority issues, we have expanded our scope of business to include machining and will provide high value-added products to meet electrification needs that will accelerate further going forward.

In Japan, we will drive the development of products that support electrification, and lead the market. At the same time, we aim to consolidate our existing equipment in Japan that is redundant and reuse them at our overseas sites to grow orders for gasoline-powered car parts and achieve steady growth in net sales and business profit.

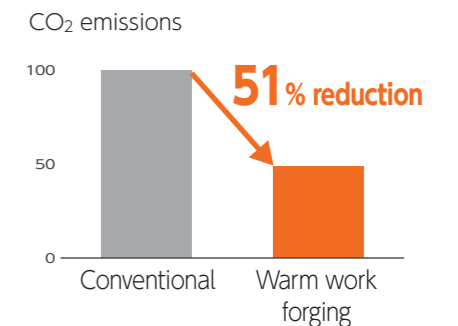


e-Axle line which started mass production

Initiatives for realizing a low-carbon society

As one of our activities to achieve a low-carbon society, we are changing the manufacturing method for some of our products from hot work forging to warm work forging. This enables us to lower the heating temperature and eliminate heat treatment to reduce CO₂ emissions by 51% compared to the conventional method.

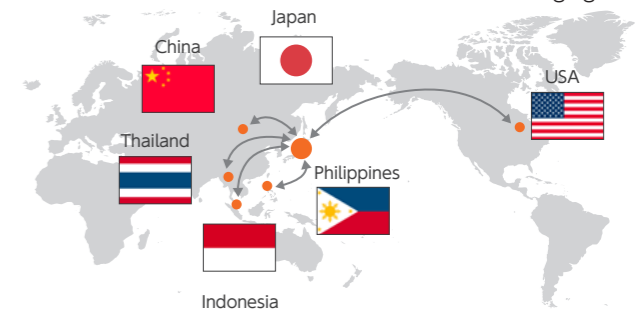
We are also planning environment-friendly manufacturing through implementation of renewable energy and other methods, and will ramp up efforts to achieve carbon neutrality from fiscal 2022.



Strengthening complementary capabilities globally

In March 2022, the Chinese government locked down the whole of Shanghai due to the spread of COVID-19. Our Chinese subsidiary Shanghai Aichi Forging Co., Ltd. (SAFC) was forced to restrict operations as well, but thanks to backup systems we had in place for such an emergency, we were able to overcome this difficulty without our customers having to stop production.

Going forward, we will focus even more on supply chain risk management to ensure stable product supplies.



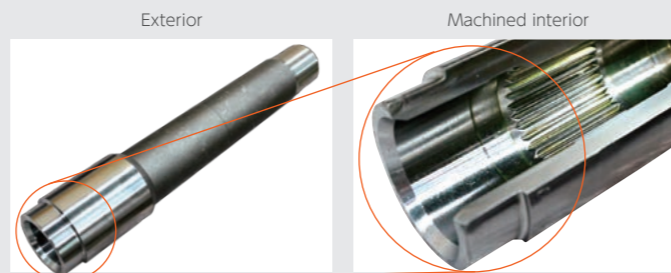
Conceptual diagram of our BCP for overseas forging sites

Value for Society

The Kitaeru Company is contributing to a diverse mobility society in the low-carbon age through the evolution of highly efficient manufacturing processes integrating steel materials, forging and machining while focusing on the basic performance requirements of cars, which are running, turning and stopping.

Business Overview

In addition to integrated forging with steel making processes, which link materials development through to forging, we now provide products that extend these processes to machining. We have also added warm work forging, which produces fewer CO₂ emissions during manufacturing, to our traditional hot work forging offerings to contribute to realizing a low-carbon society.



Output shaft for "e-Axles" – electric vehicle drive units developed using integrated forging with steel making process technologies and the latest machining technologies

Strategies in the Medium-term Management Plan

To respond flexibly to the current once-in-a-century transition of the automotive industry, we are implementing the following four priority issues of our medium- to long-term strategy, with a focus on electrification and a low-carbon society.

Priority issues	Initiative details
Evolution into a finished product manufacturer	Directly reflecting in products the changes in vehicle performance requirements associated with electrification, and providing high-precision machined products designed for the future mobility society
New product development	Focusing on product development for a low-carbon society, and developing and launching more environment-friendly products for electric vehicles
Building small lot multi-product production systems	Taking on the challenge of manufacturing, that is not tied to the past, to meet the ever-expanding diverse needs of a mobility society
Enhancing global connectivity	Contributing to customer's localized purchasing and the realization of a low-carbon society by spreading Japanese technologies, developed alongside electrification, to overseas subsidiaries.

Smart Company

Company President Message
Smart

Hironari Mitarai

Smart Company President

Profile

Hironari Mitarai took on the role of Smart Company President in April 2022.



Value for Society

The Smart Company is contributing to sustainable global society and the creation of a prosperous society through advanced functional materials and their applicable products in the four value-creation fields of energy, safe and secure social infrastructure, healthy lifestyles, and food supplies.

Value-creation fields	Businesses	Main products
Energy	Electronic components business	Power card lead frames (inverter parts for electric vehicles)
Safe and secure social infrastructure	Magnets business	Electric Axle unit
	Sensor and metallic fiber business	Low-neodymium magnets
Healthy lifestyles	Dental business	GMPS autonomous driving support system
		Ultra-sensitive magnetic sensors
Food supplies	Iron fertilizer business	Dental magnetic attachments
		Iron fertilizers

Business Overview

We are developing, manufacturing, and selling a wide range of products across five fields, from electronic components, magnets, sensors, and dentistry, to iron fertilizers developed through knowledge of specialty steel manufacturing. This is based on manufacturing methods that combine material technologies, magnet technologies, and surface treatment technologies.



Power card lead frames (inverter parts for electric vehicles)



Dental magnetic attachments

Strategies in the Medium-Term Management Plan

In the electronic components business, we will maintain sustainable growth and competitiveness to steadily capture demand for electric vehicle parts in a market that is expected to grow. To do this, we will develop products in anticipation of customer and market needs while enhancing our production foundations and maintaining the quality that sets us apart from the competition.

In the magnets business, we aim to increase orders by developing products for motors while working to improve production efficiency by building optimal global production systems.

In the sensor and metallic fiber business, we will work to open new markets in security, medical and other fields that can utilize the strengths of MI sensors (high sensitivity, small size, power saving, and high-speed responsiveness). We will also commercialize our GMPS autonomous driving support system through solutions for streamlining logistics in factories.

In the dental business, we will launch new products able to support diverse dental techniques to expand sales, and work toward developing supply chains with a view to overseas expansion.

In the iron fertilizer business, we will establish mass production technologies and work toward developing a global sales network to achieve profitability in the future.

Fiscal 2021 Business Performance

Despite a global shortage of semiconductors impacting sales volumes in our magnets business, a post-COVID-19 demand recovery and increased HEV demand has dramatically boosted our electronic components business, once again resulting in record net sales and business profits, like last year.

Net sales (billion yen)



Business Environment

With the global trend toward decarbonization, in response to climate change, driving an accelerated shift toward CASE applications in the automotive industry, and toward electrification in particular, strong growth in the electric vehicle parts market is expected. Ahead of the social implementation of autonomous driving services in society in

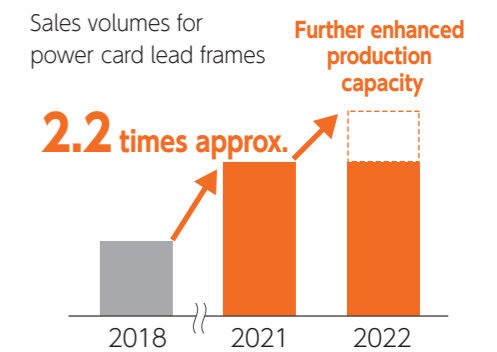
the 2020s, the need for autonomous driving support systems with vehicle-infrastructure cooperative systems is predicted to grow as well. With the materialization of social issues such as the aging population of advanced countries and global food supply shortages, markets are also expected to grow in the medical and agricultural fields.

Progress and Future Initiatives

Acceleration of business expansion through widespread use of electric vehicles

In the electronic components business, we leveraged the strong competitiveness of our products, focusing on the power card lead frames that are core parts of inverters used in electric vehicles, to achieve steady growth. As a result, production in fiscal 2021 was a record high, and 2.2 times greater than our production in fiscal 2018.

With the startup of new production lines in fiscal 2022, we will further increase production capacity and refine product competitiveness to grow this business more than ever.



Opening and expanding new markets through health insurance coverage

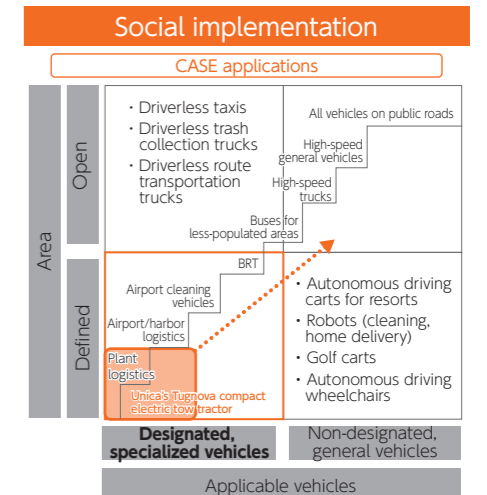
In the dental business, we developed and launched MAGFIT M, which is a magnetic attachment system covered by health insurance in Japan. Now available to more people than ever, sales are growing steadily. We are currently working globally to further expand our sales network going forward.

Investing in joint development partners to accelerate social implementation

In the sensor business, we invested in Unica Co., Ltd., a manufacturer of in-yard trucks, in fiscal 2021. Together we started jointly developing an autonomous driving conversion kit that uses our GMPS autonomous driving support system. While concurrently running field trials on public roads, we are accelerating efforts to commercialize these transportation solutions within defined areas, such as factories. We have also developed, and started sample sales of ultra-sensitive magnetic sensors with a wide measuring range for use in the security and medical fields.



Social implementation of GMPS autonomous driving support systems



Priority Issues (Materiality)

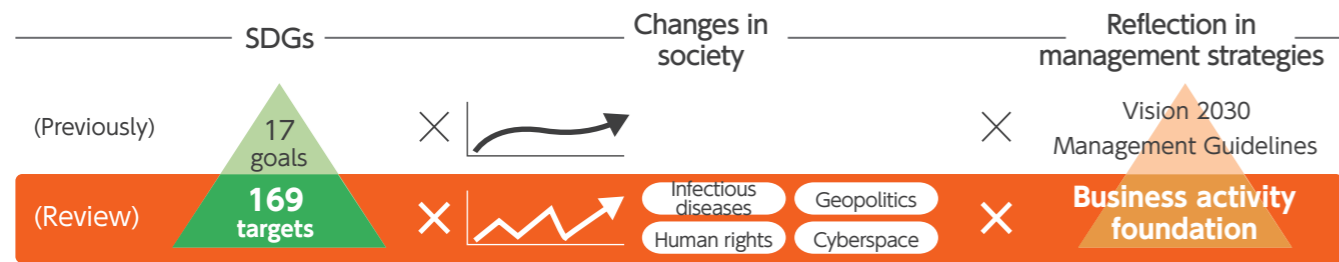
In line with Our Vision, "We will strive to make positive contributions to society by providing appealing products from global perspectives and based on our vibrant and trustworthy corporate qualities." We consider that contributing to the realization of a sustainable society through our businesses activities will lead to improved medium- to long-term corporate value. To achieve this, we

aim to "Enhance earnings capacity by reforming business and manufacturing while putting ESG management into practice," as our basic policy in Vision 2030, and we revised our priority issues in March 2022 in light of the rapidly changing business environment. Through these initiatives, we aim to realize our Vision 2030 and address social issues.

I Identification of priority issues



I Promotion system for priority issue initiatives



Previously
1. Contribute to a sustainable global environment
2. Encourage the creation of workplaces that are safe and comfortable to improve employee happiness
3. Create a prosperous society through business reform and provide extremely competitive products
4. Strengthen relationships with local communities, and actively contribute to society
5. Increase compliance awareness globally, and strengthen corporate sustainability
6. Establish a solid financial foundation to support stable, sustainable growth

Review	
3 GOOD HEALTH AND WELL-BEING	Climate Change
7 AFFORDABLE AND CLEAN ENERGY	Resource Recycling
8 DECENT WORK AND ECONOMIC GROWTH	Procurement
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Technology Innovation
10 REDUCED INEQUALITIES	Cybersecurity
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Quality and Production
13 CLIMATE ACTION	Safety and Health
15 LIFE ON LAND	Workstyles and HR Development
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Diversity
	Coexistence with Community
	Human Rights
	Legal Compliance



Climate Change

Related SDGs



I Main initiatives

- Promoting thorough energy saving activities by streamlining manufacturing processes, etc.
- Promoting utilization of clean energy from solar power generation, including in-house power generation, etc.
- Developing innovative technologies, including use of high-efficiency electric furnaces, and hydrogen and ammonia

2030 **35%**
2050 **Carbon neutrality**



Achievements

CO ₂ emissions (Reduction compared to FY2013)	21%
Adoption of renewable energy	Electricity: 3 plants (Seki, Gifu, Higashiura)*1 Adoption 100% Gas: 2 plants (Kariya, Gifu)*2 Adoption 100%



Resource Recycling

Related SDGs



I Main initiatives

- Promoting recycling of byproducts (slag, dust, scale, etc.)
- Promoting initiatives to maintain low levels of SOx and NOx emissions

	Targets and KPIs	Achievements
Byproducts sent to landfill	2,500 t/year	2,268 t/year (Byproduct recycling rate of 99.2%)
Atmospheric pollutant emissions (NOx, SOx)	Less than 80% of regulation level	80% or higher than regulation level 0 days (Total emissions: NOx 132 t, SOx 1.36 t)
Industrial wastewater pollution load (COD, nitrogen, phosphorus)	Less than 80% of regulation level	80% or higher than regulation level 0 days (COD 7.01 t, nitrogen 5.96 t, phosphorus 0.26 t)



Procurement

Related SDGs



I Main initiatives

- Promoting environmental conservation activities based on the Green Procurement Guidelines in collaboration with suppliers (priority purchase of environmentally friendly products, etc.)

	Targets and KPIs	Achievements
Green Procurement Guidelines dissemination rate	100%	100%
Number of breaches of the Subcontracting Act	0	0



Technology Innovation

Related SDGs



I Main initiatives

- Promoting research and development integrated with business strategies to realize the management guideline of "Creation of a prosperous society through business reform"
- Strengthening development infrastructure through advanced IT and analysis technologies (AI, etc.) and strategic patent applications

	Achievements
R&D expenses	¥4.34 billion (previous fiscal year: ¥4.05 billion)

	Targets and KPIs	Achievements
Number of patent applications	50	54



Cybersecurity

Related SDGs



I Main initiatives

- Enhancing security through establishment of internal structures, and communication, education, and inspection of rules, in compliance with the All Toyota Security Guidelines (ATSG) shared by Toyota Group companies, etc.

	Targets and KPIs	Achievements
Serious incidents due to cyberattacks	0	0
ATSG (Ver. 8) compliance (Aichi Steel unconsolidated)	80%	80%
ATSG (Ver. 7) compliance (Domestic and overseas subsidiaries)*3	100%	95%



*1 Purchasing FIT non-fossil fuel energy certificates, on the non-fossil value trading market of Japan Electric Power Exchange (JEPX), that certify the non-fossil value of electricity purchased through a Feed-in Tariff (FIT) scheme that trades in electricity generated from solar, wind, and other renewable energies at fixed prices for fixed periods

*2 Adopting carbon neutral city gas, provided by Toho Gas Co., Ltd., produced using carbon-offset LNG that offsets CO₂ emitted throughout the process from natural gas extraction to combustion by reducing and absorbing the CO₂ through forest conservation and other projects

*3 All eight domestic subsidiaries and five overseas forging subsidiaries

Priority Issues (Materiality)

Quality and Production



Main initiatives

- Further strengthening the quality management system through acquisition of IATF 16949 certification
- Fully implementing measures to prevent recurring complaints by strengthening efforts to pursue their true causes
- Building TPS-based production infrastructure that enables on-time stable supply of products



Site inspection (Forging Plant) by the management team during Quality Month (November)



Celebrating cumulative rolling mill output of 50 million tons at Chita Plant

Quality	Targets and KPIs	Achievements
Total number of complaints (release of defects to customers)	12 per year	14 per year
Number of recurring complaints (release of defects to customers)	4 per year	2 per year
Reduction of quality-related loss (compared to FY2018)	-27%	-29%

Production	Achievements
Crude steel production	1,045,000 t (previous fiscal year: 872,000 t)
Forged product production	266,000 t (previous fiscal year: 235,000 t)
Electronic component production	36,900,000 sets (previous fiscal year: 28,300,000 sets)



Safety and Health



Main initiatives

- Creating workplaces without accidents through safety risk assessments
- Promoting recurrence prevention to eliminate similar accidents
- Promoting health and productivity management to maintain and improve mental and physical health



Conducting training at the Denshinkan safety education facility



Example of the healthy menu offerings at staff cafeterias

Safety	Targets and KPIs	Achievements
Number of serious accidents	0 per year	1 per year
Overall accident frequency rate	0.60%	1.19%
Number of fires and explosions	0 per year	0 per year

Health	Targets and KPIs	Achievements
Lost worktime rate due to injury or sickness	0.56%	0.65%
Lost worktime rate due to mental health	0.21%	0.30%
Rate of employees over appropriate weight (BMI of 25 and higher)	27%	33%



Workstyles and HR Development



Main initiatives

- Developing flexible working systems for balancing work with important life events
- Developing and adopting workplace environments and human resources systems that enable diverse employees to be highly motivated while playing active roles
- Enhancing off-the-job training using job-specific and position-specific education systems, and promoting investment in skill and capability development in connection with management strategies

Workstyles	Targets and KPIs	Achievements
Days of annual paid leave taken	14.0 days/year	15.7 days/year
Overtime (per person, office)	139 hours/year	162 hours/year
Employee satisfaction (out of 5)	3.6 pts	3.4 pts
Office workplace management survey (positive response rate)	76.0%	78.2%
Factory workplace capability survey (positive response rate)	66.0%	67.0%

HR Development	Achievements
Investment in education and training (per person)	21,000 yen/year (previous fiscal year: 21,000 yen/year)
Time spent in education and training (per person)	14.9 hours/year (previous fiscal year: 12.4 hours/year)



Diversity



Main initiatives As above

	Targets and KPIs	Achievements
Number of female managers	3	4
Employee satisfaction (aged 60 and above, out of 5)	3.7 pts	3.7 pts
Employees with disabilities	2.3%	2.9%



Human Rights



Main initiatives

- Conducting business activities that respect human rights in line with the Aichi Steel Group Action Guidelines
- Fostering a high level of ethics and awareness of human rights through employee education
- Developing and strengthening human rights protection systems such as the whistle-blowing system

	Targets and KPIs	Achievements
Human rights education in job-specific training	100%	100%



Coexistence with Community



Main initiatives

- Promoting biodiversity preservation and activities to achieve harmony with nature through efforts such as creating a natural ecosystem in part of the Nakashinden green spaces around our plant (about 20,000 m²)
- Promoting communication activities with local communities through social contribution activities

	Targets and KPIs	Achievements
Nakashinden indicator species	23 species	(FY2020: 22 species)*4
Number of volunteers (total)	5,000 per year	5,876 per year



Legal Compliance



Main initiatives

- Sharing a high level of ethics, improving awareness and knowledge through training and seminars, etc., and continuing to strengthen internal systems that eliminate violations, in line with the Aichi Steel Group Action Guidelines

	Targets and KPIs	Achievements
Serious violations of laws and regulations	0 per year	1 per year
Serious failings of internal control systems	0 per year	0 per year



*4 Unable to obtain figure due to impact of COVID-19

Special Feature 01 Climate Change Response

Aichi Steel's approach to climate change

The Aichi Steel Group regards climate change as a serious management issue that could impact efforts to achieve sustainable growth.

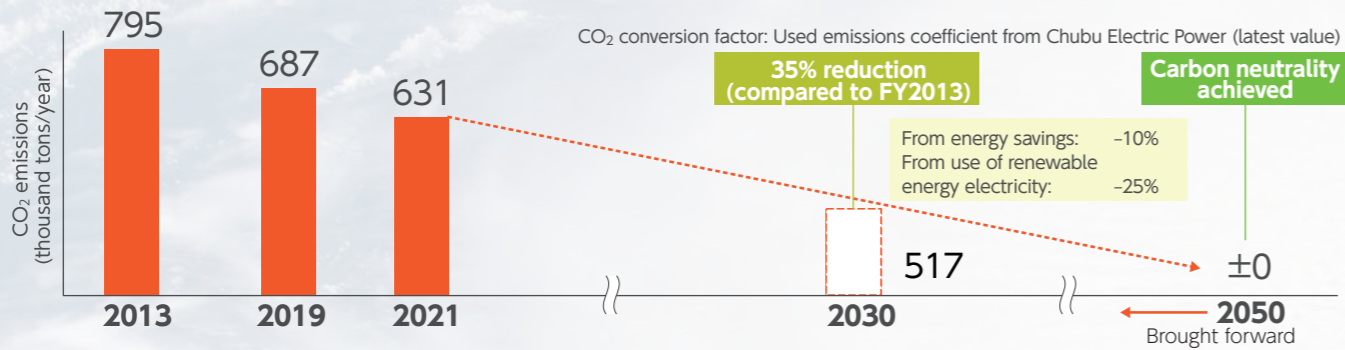
As a resource-recycling company that uses steel scrap as a raw material in manufacturing, Aichi Steel has expanded the potential of manufacturing through materials and parts. Going forward, by utilizing strengths nurtured in manufacturing and to help realize a low-carbon society, we will continue to develop and provide products and services that contribute to reduced CO₂ emissions across the entire supply chain.

This special feature will explain the status of initiatives that we are implementing in line with the framework of the Task Force on Climate-related Financial Disclosures (TCFD) that we declared our support for in 2021.

CO₂ emission reduction target*1

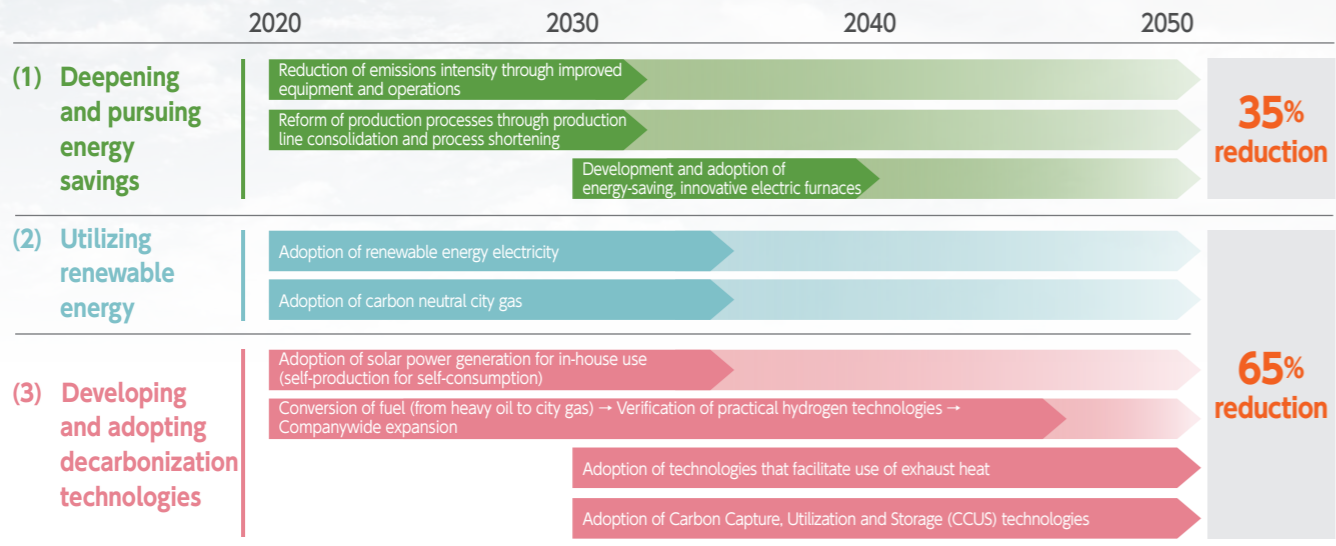
We have established the targets of reducing CO₂ emissions from Aichi Steel business activities by 35% by 2030 (compared to fiscal 2013), and working toward achieving carbon neutrality by 2050. We are now working toward achieving those targets, and bringing them forward.

*1 Scope 1 and 2 emissions from Aichi Steel alone



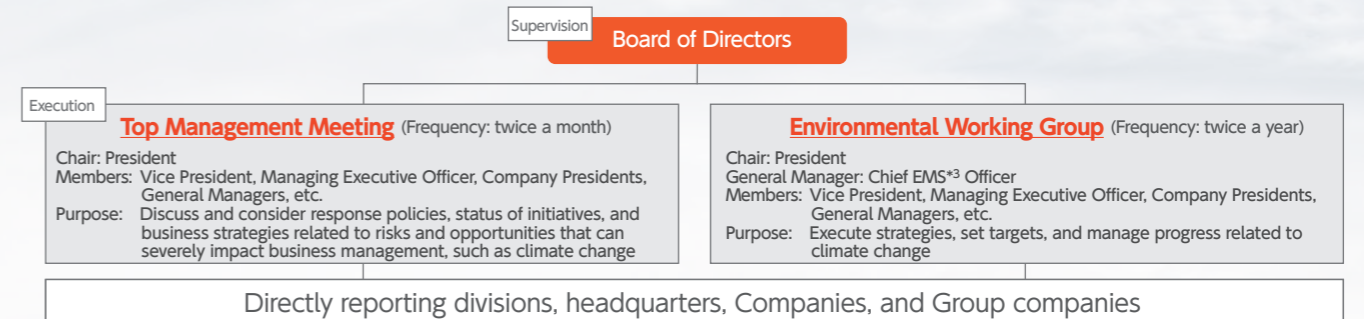
Roadmap to carbon neutrality by 2050

To achieve carbon neutrality in our business activities, we are conducting activities focused on (1) deepening and pursuing energy savings, (2) utilizing renewable energy, and (3) developing and adopting decarbonization technologies. To deepen and pursue energy savings, we are working to further streamline and rationalize our production processes so that we can reduce CO₂ emissions by 35% by 2050 compared to fiscal 2013 (approximately 1% each year). As for the remaining 65%, in addition to utilizing renewable energies (renewable energy electricity and offset systems, etc.), we aim to achieve carbon neutrality by adopting in-house solar power generation, converting energy usage to hydrogen and ammonia, and adopting new decarbonization technologies such as technologies that facilitate use of exhaust heat.



Governance

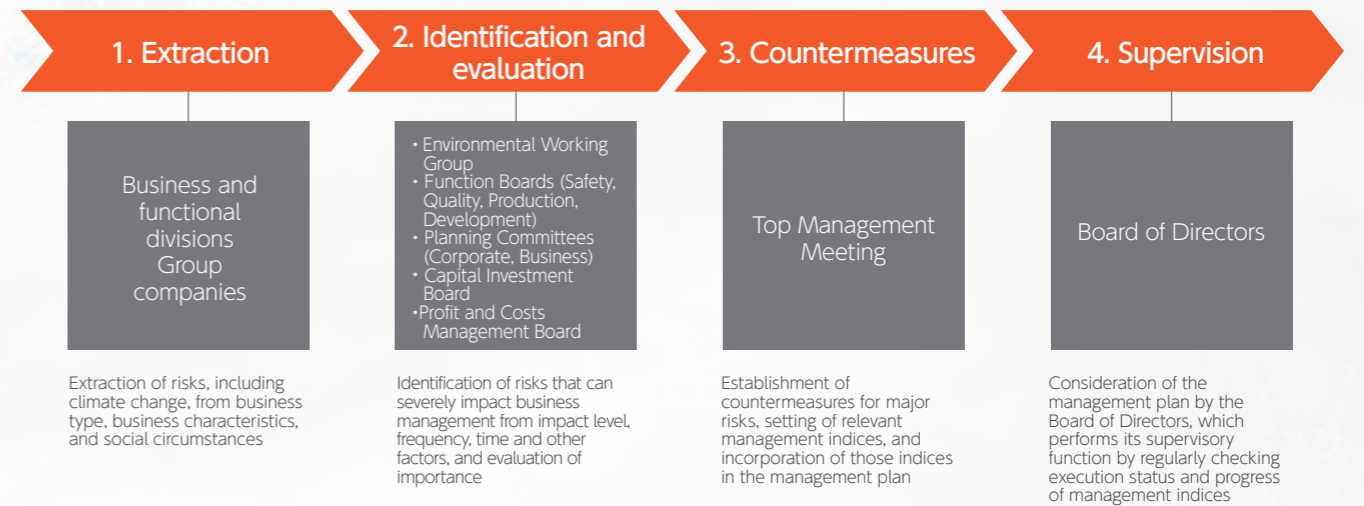
- As the organization responsible for considering important business-related matters, the **Top Management Meeting discusses and considers** response policies, status of initiatives, and business strategies related to risks and opportunities that can severely impact business management, such as climate change. The **Board of Directors performs its supervisory function** by receiving subsequent reports and considering matters that are particularly important.
- The **Environmental Working Group executes strategies, sets targets, and manages progress related to climate change, and reports on its work to the Board of Directors. Six subcommittees*2 have also been established**, with clear areas of responsibility, to conduct efficient and targeted activities.



*2 Refer to p. 21 *3 Environmental Management System

Risk management

We follow the process below to identify, evaluate, and supervise all risks, including climate change.



Strategies

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

(1) 1.5°C scenario

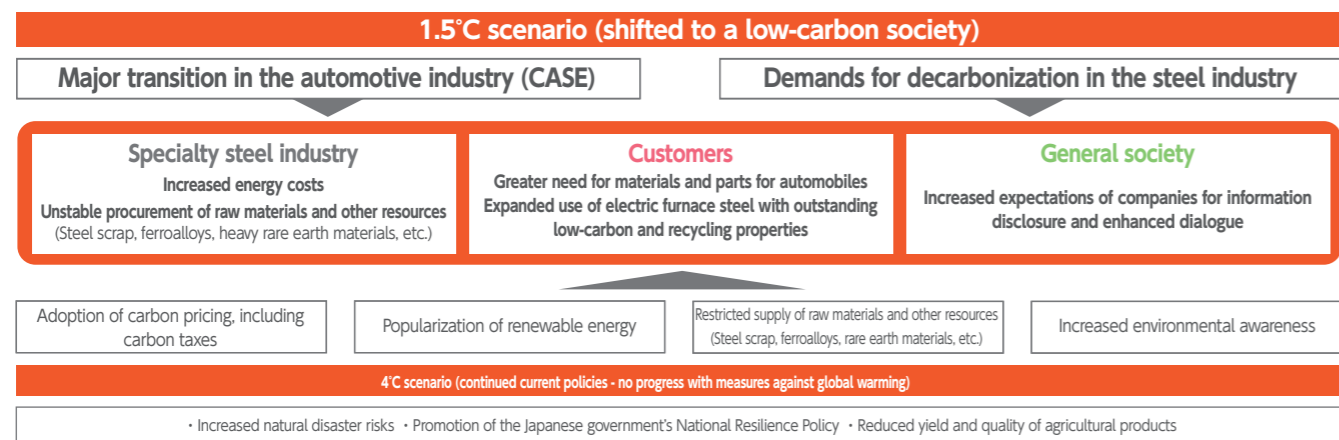
While risks include expansion of CASE applications in the automotive industry where our major customers are, and demands for decarbonization in the steel industry, we are confident that proactively addressing climate change will lead to the creation of new business opportunities.

(2) 4°C scenario

We reconfirmed the potential for natural disaster risks, which are increasing on a yearly basis, to impact our company and the rest of the supply chain. We will continue efforts to adapt to natural disasters, revise our business continuity plan (BCP), strengthen the supply chain by enhancing information gathering, and improve communication.

Climate Change Response

Vision of society



Important risks and opportunities, and response policies

Scenario	Climate-related matters	Impact on Aichi Steel	Aichi Steel response policies
1.5°C scenario	Major transition in the automotive industry (CASE) • Electrification • Autonomous driving	Risks • Reduced demand for specialty steels associated with reduced emissions intensity of specialty steel usage per automobile • Reduced demand for forged products for internal combustion engines • Supply risks, including shrinking forging market and reduced profits	• Capture demand for specialty steel and forged products for electric vehicles • Fulfill responsibility of supply by maintaining alternative capacity through collaborations with small- and medium-sized forging companies and building high-mix, low-volume production lines
		Opportunities • Increased demand for specialty steel, forged products, and electronic components for electric vehicles • Increased demand for autonomous driving support systems associated with social implementation of those systems	<Existing businesses (specialty steel, forged products, electronic components)> • In addition to a high level of quality, which is a characteristic of specialty steel, provide highly functional, high value-added products by leveraging the strengths of Aichi Steel in materials design, forging, and process technologies, etc. (output shafts for electric axes, power card lead frames, etc.) <New businesses (next-generation electric axes, GMPS ¹ , etc.)> • Expand new businesses through development and provision of next-generation electric axes with outstanding environmental performance, including resource saving and high recyclability of rare earth and other materials, and excellent power efficiency, due to reduced weight and size • Promote development and popularize use of the GMPS ¹ autonomous driving support system with a view to social implementation on public roads
	Demands for decarbonization in the steel industry • Demand for electric furnace steel • Innovative technologies	Risks • Burden of research and development, and capital investment, for developing and implementing innovative technologies that help decarbonization • Reduced demand for specialty steel due to a shift to other lightweight materials	• Consider appropriate capital investment plans in light of future demand trends, and mechanisms for making investment decisions based on cost reductions through resource saving and low-carbon emissions • Utilize LCA ² evaluation in design and development of products and services
		Opportunities • Increased demand for electric furnace steel with outstanding low-carbon and recycling properties	• Develop high-quality, highly functional products and services that meet the diverse needs of users for quality and volume, and build stable supply systems
	Adoption of carbon pricing, including carbon taxes	Risks • Increased operation costs associated with use of fossil fuels • Increased energy costs associated with increased prices for electricity derived from renewable energy	• Promote development of further energy-saving production technologies through production process improvements, including manufacturing process rationalization, such as producing smaller cross-section steel materials, and utilization of digital transformation • Promote the switch to low-carbon fuels, and shift to renewable energies through initiatives such as adopting in-house energy generation facilities – Switch all electricity used at five of the seven domestic plants to electricity derived from renewable energy ³ – Switch all gas used at two of the five domestic plants to carbon neutral city gas ⁴ • Consider adopting the latest high energy-efficient equipment, including innovative electric furnaces, etc.
	Restricted supply of raw materials and other resources • Steel scrap • Ferroalloys • Heavy and mid rare earth materials	Risks • Supply shortages and reduced quality, and increased procurement costs, associated with increased demand for scrap	• Unstable procurement of rare metals and rare earth materials • Ensure stable procurement by strengthening and expanding scrap recycling schemes in collaboration with users • Increase the sophistication of selection technologies and impurity removal technologies through industry-academia collaborations aimed at expanding use of low-quality, low-cost scrap • Promote understanding of, and make proposals for, domestic recycling schemes through industry bodies • Adopt a multi-source policy for suppliers and enhance supply chain management
		Opportunities • Increased demand for highly functional steel and other materials that have caused a reduction in usage of rare metals and rare earth materials	• Expand selling opportunities in various markets by developing and increasing a range of products that are small, lighter, and have outstanding recyclability to reduce resource usage and which include duplex stainless steel that uses less nickel and heavy rare earth dysprosium-free magnets (MAGFINE ⁵)
Popularization of renewable energy	Opportunities • Increased demand for stainless steel for hydrogen infrastructure • Increased demand for magnets used in wind power generation motors	• Contribute to the realization of a hydrogen society by developing and popularizing stainless steel for high-pressure hydrogen applications, with higher strength, higher functionality, and greater resource-saving properties, developed ahead of other companies for use in fuel cell vehicles • Expand selling opportunities in new markets by jointly developing, with motor manufacturers, magnets for wind power generation motors	
	Increased environmental awareness • Expanded information disclosure • Enhanced dialogue • Environmentally friendly products	Risks • Poorer evaluation of companies due to an insufficient response to demand for information disclosure	• Consider obtaining third-party certifications to strengthen communication with stakeholders and strengthen information disclosures and strengthening information collection and management systems, predominantly through the CN Planning Subcommittee
4°C scenario	Natural disasters • Intense abnormal weather events • Increased typhoons and heavy rains • Increased sea levels	Risks • Operation stoppages due to damaged production facilities and equipment • Operation stoppages due to supply chain disruptions • Unstable procurement of raw materials	• With adaptation measures already implemented for heavy rains, typhoons, tsunamis, and high tides, etc., minimize the impact of damages through ongoing BCP measures • Build supply systems able to flexibly respond to demand, and strengthen ties with suppliers • Increase supply chain resilience through such actions as adopting a multi-source policy for suppliers, securing alternate suppliers, and ensuring appropriate inventories and emergency stores
		Opportunities • Due to increased needs for the Japanese government's National Resilience Policy, increased demand for stainless steel associated with infrastructure development, and motors for compact power generators in emergencies	• Contribute to strengthened infrastructure by expanding the range of products, including stainless steel and magnets for compact power generator motors, and expanding production capacity in response to demand
	Reduced yield and lower quality of agricultural products	Opportunities • Increased demand for next-generation fertilizers that will prevent quality deterioration of grain crops due to poor alkaline soils and increase yields	• Contribute to early application of proline deoxymugineic acid, which is a next-generation fertilizer being developed in an industry-academia collaboration, and to solving food shortages through its popularization globally

¹ Global Magnetic Positioning System, an autonomous driving support system, developed by Aichi Steel, that employs vehicle body sensor modules to detect the magnetic force of magnetic markers that have been laid in the road to measure vehicle position with a high degree of accuracy
² Life Cycle Assessment, a method for quantitative evaluation of the environmental impact through all processes of products and services, from collection of the raw materials to product usage, and disposal
³ Carbon-free electricity through the purchase of non-fossil certificates traded on the non-fossil value trading market of Japan Electric Power Exchange (JEPX)
⁴ Adopting carbon neutral city gas, provided by Toho Gas Co., Ltd., produced using carbon-offset LNG that offsets CO₂ emitted throughout the process from natural gas extraction to combustion by reducing and absorbing the CO₂ through forest conservation and other projects

Indicators and targets: CO₂ emissions in the supply chain

The following table details Scope 1 and 2 CO₂ emissions arising from use of energy in Aichi Steel business activities, and Scope 3 CO₂ emissions in the supply chain as calculated using methods such as the Green Value Chain Platform from the Ministry of the Environment.

Management indices	CO ₂ emissions (thousand t-CO ₂)				Calculation methods
	2013 (Base year)	2019	2020	2021	
Scope 1 (Direct emissions from in-house use of fuel and industrial processes)	239	251	217	248	Refer to Scope 1 and 2 Calculation Method below
Scope 2 (Indirect emissions associated with use of electricity and thermal energy purchased by Aichi Steel)	556	436	345	383	
Scope 1 + Scope 2 (Reduction compared to FY2013)	795	687	562	631 (-20.6%)	
Emissions intensity of production (kg-CO ₂ /t) (Reduction compared to FY2013)	546.4	509.7	470.0	442.6 (-19.0%)	
Scope 3 (Other indirect emissions related to business activities in the Aichi Steel supply chain)					
1. Purchased goods and services	–	806	718	948	• Calculated by multiplying purchased amounts of raw materials and other resources (purchase price) by the emissions intensity
2. Capital goods	–	60	44	30	• Calculated by multiplying capital expenditures by the emissions intensity
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	–	125	111	126	• Calculated by multiplying usage amounts of purchased electricity and fuel by the emissions intensity
4. Upstream transportation and distribution	–	33	28	34	• Calculated by multiplying transportation distances, and transportation means and distances for Category 1 purchases, according to the Energy Saving Act report, by the emissions intensity
5. Waste generated in operations	–	11	11	11	• Calculated by multiplying the emissions intensity for each type of waste
6. Business travel	–	0	0	0	• Calculated by multiplying payment amounts for each travel means by the emissions intensity
7. Employee commuting	–	3	3	4	• Calculated by multiplying payment amounts for each travel means by the emissions intensity

Figures in the above table are rounded to the nearest thousand tons, with "0" representing "less than 500 tons."
 <Scope of calculations> Scope 1 and 2: Aichi Steel alone / Scope 3: Aichi Steel alone in relevant categories
 <Scope 1 and 2 Calculation method> Calculations are based on the Act on Promotion of Global Warming Countermeasures, Act on Rationalizing Energy Use, and Standard Calorific Value and Carbon Emission Factors by Energy Source (Agency for Natural Resources and Energy), and emissions coefficients from contracted power companies for each fiscal year
 <Scope 3 Emissions Intensity> According to the "Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc." by Organizations Throughout the Supply Chain" (Ver. 3.2, March 2022) from the Ministry of the Environment; and the "IDEA LCI Database" (Ver. 2.3) created by the Advanced LCA Research Group at the Research Institute of Science for Safety and Sustainability of the National Institute of Advanced Industrial Science and Technology (AIST), and Sustainable Management Promotion Organization (SuMPO)

Specific initiatives

Deepening and pursuing energy savings

Approximately 90% of all emissions at Aichi Steel come from the use of electricity and city gas in our manufacturing processes.
 In addition to further efforts to save energy on top of our steady progress made so far, we are working to develop new technologies based on our accumulated technologies and know-how, such as our first adoption of an electric furnace exhaust heat recovery system in Japan in 2020, and improve energy efficiency through digital transformation technologies, such as use of IoT and AI. During fiscal 2021, we reduced CO₂ emissions by 18,000 tons through energy saving activities such as improved combustion efficiency using oxygen-enriched burners.

Utilizing renewable energy

We use large amounts of electricity in electric furnaces when producing steel, so we are actively adopting measures like electricity derived from renewable energy. Three of our seven domestic plants achieved carbon neutrality in 2021 (Seki, Gifu, and Higashiura). We plan to make another two plants carbon neutral in fiscal 2022 as well. Going forward, we will work to further expand our use of renewable energy through things like actively adopting in-house solar power generation.

Supply chain

To realize a low-carbon society, we need efforts from the entire value chain, not just from Aichi Steel.
 We are working to promote an understanding among members of the Suppliers Convention, which is an association of our major suppliers, of the importance of the entire supply chain working together, and to call for cooperation and collaboration on future initiatives.

Awareness within the company

To achieve our goal of carbon neutrality by 2050, it is important that every employee becomes more aware of climate change and other social issues, and works together. This is also why we are actively working to raise awareness, including the creation, and distribution to all employees, of the Carbon Neutrality Handbook, which is a collection of everything from basic information about carbon neutrality to the latest case studies.



- (Examples of initiatives)
- Creation of the Carbon Neutrality Handbook and posting of it on the company intranet
 - Holding of study groups for employees (webinar and archive distribution)
 - In-house competition to design mascots

Special Feature 02

Responding to CASE, a Major Transition in the Automotive Industry

The automotive industry is undergoing a once-in-a-century transition as moves to CASE technologies (Connected, Autonomous, Shared & Services, and Electric) accelerate. As a company that has always worked to expand the potential of cars through specialty steel, forged products, and other materials and parts, Aichi Steel considers this transition as a new challenge and an opportunity to expand its business.

Going forward, we will further evolve the technologies we have cultivated so far, and develop and commercialize new materials, parts, and products, to contribute to a more environmentally friendly society where people and cars exist in harmony.

I CASE trend

CASE is a field of technologies that are directly linked to the realization of a sustainable society facing a range of issues, including climate change, frequent traffic accidents, and depletion of scarce resources. By further strengthening development in this field, the Aichi Steel Group will promote ambidextrous management and improve medium- to long-term corporate value while helping to address social issues through its businesses. The elements of CASE technologies that we are focusing on in particular are electrification (E) and autonomous driving (A) technologies.

Electrification technologies are expected to contribute to low-carbonization and decarbonization across the entire lifecycle of cars, not just while driving.

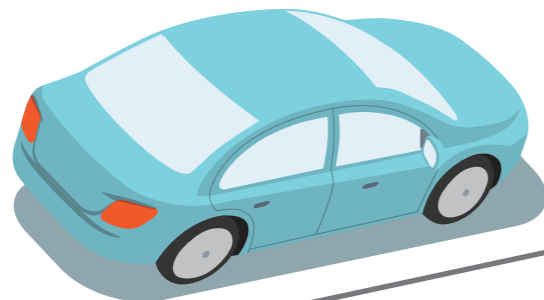
We are therefore driving development to address the related issues of extended cruising range and resource scarcity risks.

Autonomous driving technologies are expected to reduce traffic accidents and congestion, and bring the joy and freedom of mobility to all. On the other hand, vehicle-infrastructure cooperative systems that ensure safety, even when radars, image analysis, and AI are insufficient, are essential for social implementation, so we are developing these systems with a view to practical application.

CASE

Expectations from society

E Popularizing mobility that helps realize low-carbonization and decarbonization across the entire lifecycle
Electrification technologies



A Reducing traffic accidents and congestion
 Bringing the joy and freedom of mobility to all
Autonomous driving technologies

Aichi Steel contributions

Providing materials and parts that improve strength and durability while also minimizing the use of scarce resources

Cruising range Resource risks

BEVs

Providing electric axles that are compact, lightweight, resource-saving and that improve motor efficiency while increasing end-of-life resource recyclability

Cruising range Resource risks

FCEVs

Providing materials that are highly cost effective and are hydrogen embrittlement resistant

Resource risks

HEVs, PHEVs, BEVs

Providing power card parts that have high-cooling functionality, which can affect the performance of inverters

Cruising range

Providing autonomous driving support systems that are not affected by radio wave environments or bad weather, and that ensure a high level of safety through highly accurate identification of vehicle position

Safety and security

BEVs: Battery Electric Vehicles
 HEVs: Hybrid Electric Vehicles
 PHEVs: Plug-in Hybrid Electric Vehicles
 FCEVs: Fuel Cell Electric Vehicles

Vision and roadmap for 2030

Development policies

Responding to this transition in the automotive industry, the Research and Development Headquarters promotes development based on two policies: I. Focus on next-generation mobility development, and II. Beat the competition through outstanding development capabilities and development speed. Specifically, this means (1) developing materials and parts that support vehicle electrification with the aim of reforming existing businesses, and (2) focusing on development of systems that enable autonomous driving even under adverse conditions with the aim of expanding business into few fields.

We aim to dramatically improve development speed and create innovation by leveraging our research and development strengths and enhancing partner collaborations in Japan and overseas.

Specific initiatives (related to development)

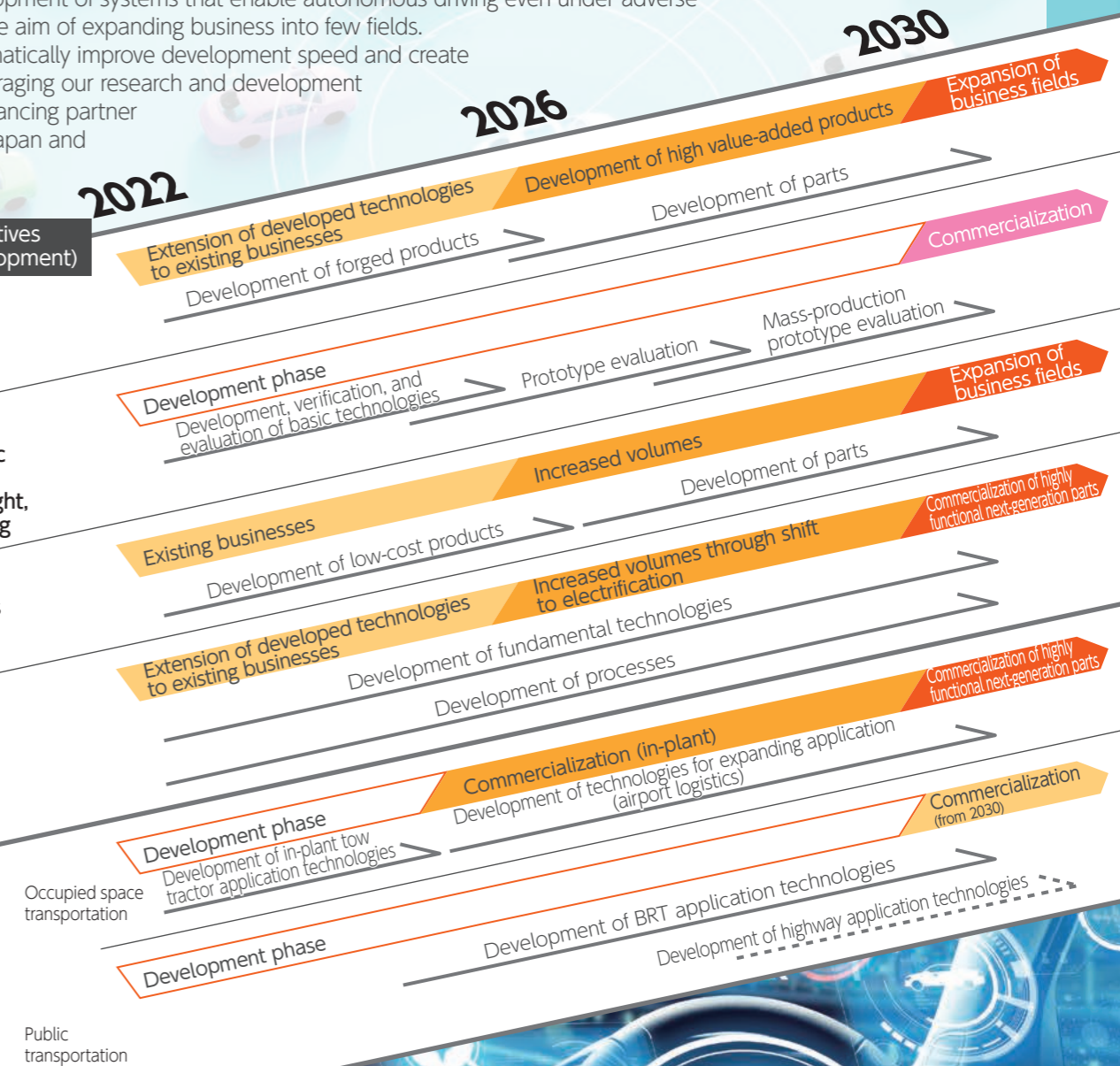
Steel and forged products for low-cost EV gear shafts

High-speed electric axles that are compact, lightweight, and resource-saving

Low-cost, stainless steel for use with high-pressure hydrogen

Power card lead frames

GMPS autonomous driving support system



Occupied space transportation

Public transportation



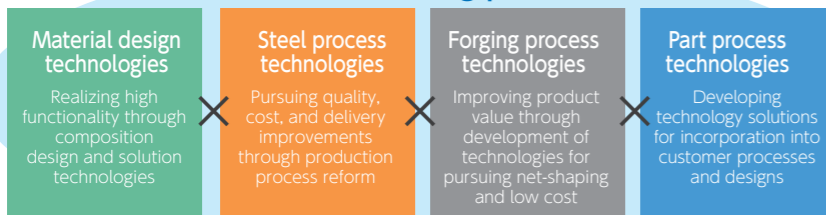
Initiatives for realizing the roadmap

Research and development strengths

Industry's only integrated forging with steel making processes

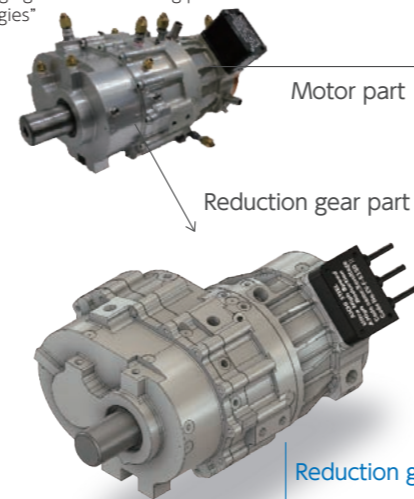
We are leveraging the strengths of integrated forging with steel making processes, which enables in-house production of everything from steel material to forged products. This enables us to develop everything from materials to products at a single site through process integration while developing high value-added parts that contribute to lighter-weight, higher-performance automobiles.

Development based on integrated forging with steel making processes



Next-generation electric axle developed with the Aichi Steel strengths of "integrated forging with steel making processes" and "DNA of material technologies"

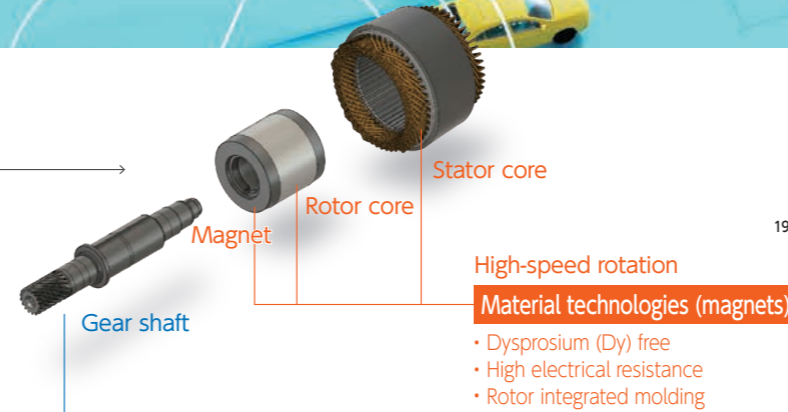
Electric axle



Fast deceleration

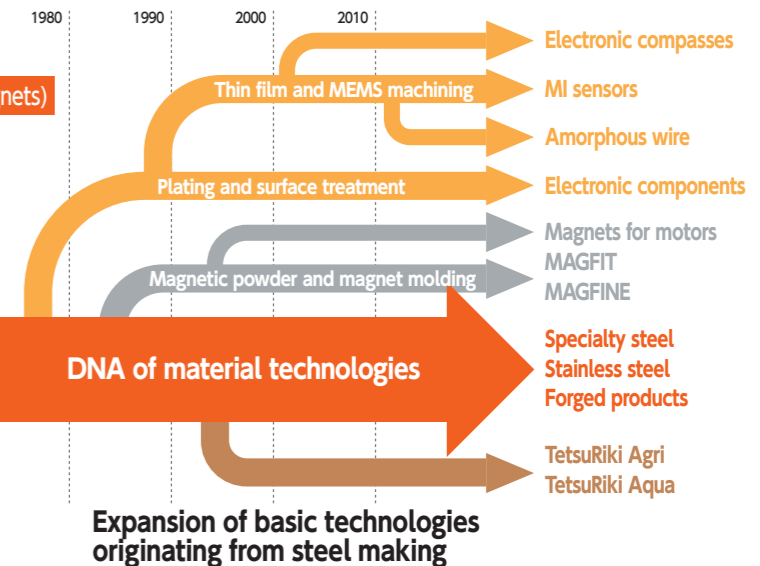
Integrated forging with steel making process technologies

- High strength materials
- Using integrated forging with steel making process technologies



Development leveraging the knowledge of a materials manufacturer

Taking advantage of the DNA of material technologies passed down through successive generations, we will lead future generations through our manufacturing capabilities. In addition to existing products, we will develop new products that meet the needs and changes of society with the technologies we have cultivated and new ideas.



Product development

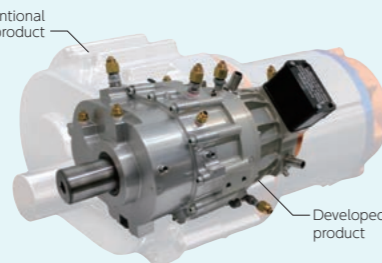
Steel and forged products for low-cost EV gear shafts

To meet the need for electric axles that are compact, lightweight, and low cost, we are developing high-strength steel, and low-cost steel without expensive alloy elements. We are also employing integrated forging with steel making

processes, which merge forging technologies and materials technologies, to develop innovative techniques, and optimal materials, that enable improved added value and improved cost competitiveness of parts.

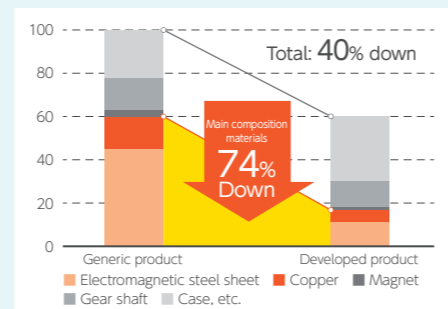
High-speed electric axles that are compact, lightweight, and resource-saving

With increased electrification of cars, demand for the rare earths (scarce resources), electromagnetic steel sheets, and copper used in car motors has increased rapidly, which has led to major risks associated with stability of supply and the environment. To help address these issues, we are integrating our proprietary MAGFINE anisotropic bonded magnets together with specialty steel, and developing them for application to next-generation electric axles that are compact, lightweight, resource-saving and highly efficient.



Next-generation electric axle being developed for practical use (40% smaller than conventional products in terms of volume and weight)

Weight comparison of main composition materials for electric axles

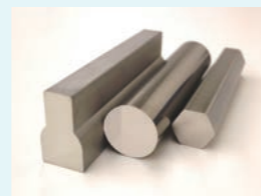


Low-cost stainless steel for use with high-pressure hydrogen

We are developing stainless steel for use with high-pressure hydrogen to help popularize fuel cell vehicles (FCEVs) and quickly realize the hydrogen society. With solid technical capabilities cultivated through years of stainless steel manufacturing, we have developed high quality, high functionality steel that Toyota is using in its MIRAI FCEV. We have also led the way by building systems for testing and evaluating steels under high-pressure hydrogen environments, including the world's first high-speed fatigue test apparatus that we developed. To help reduce costs as well, which are a major issue hindering the popularization of FCEVs, we are stepping up efforts to develop resource-saving, low-cost products.

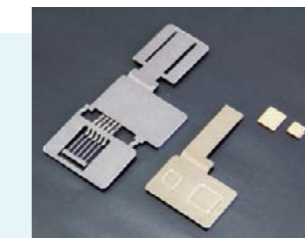


Hydrogen filling nozzle made with Aichi Steel stainless steel



Power card lead frames

Electronic components are essential elements of next-generation cars that make use of many different electronic devices. For more than 30 years, we have been researching surface treatment technologies, with a focus on products for cars from 1996. At the moment, we are using our precision press technologies and highly reliable plating technologies to supply the power card lead frames, which are receiving good feedback from the market, that are essential for HEVs and BEVs. We are also continuing product development to meet the increasingly sophisticated needs of customers.



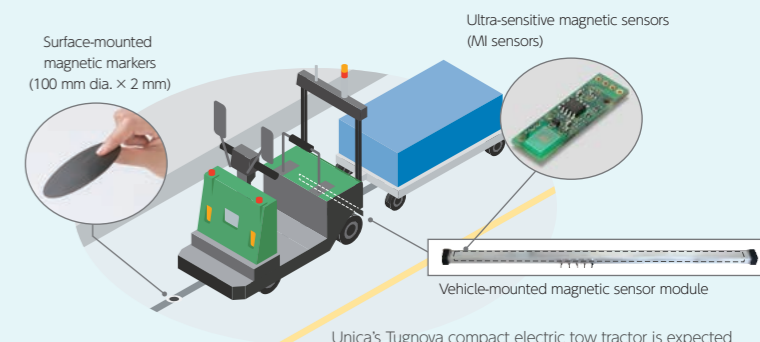
Lead frames



Lead frame production line (Gifu Plant)

GMPS autonomous driving support system

We are working on development of a GMPS autonomous driving support system that uses MI sensors to detect magnetic markers on roads for cars to estimate their own position. With research starting globally more than 30 years ago, we started demonstrating this technology at EXPO 2005 AICHI with vehicles, etc. inside the venue. High cost is one issue that must be addressed before this technology can be put to practical use. However, we have paved the way to successful implementation through development of ultra-sensitive MI sensors, design of low-cost, weak-magnetic-force magnetic markers, and development of our own magnetic field noise elimination system. We have made steady progress in development through verification trials conducted with national and local governments and partner companies. Going forward, we will accelerate our development program to quickly commercialize these technologies for use within defined areas, such as factories, and to implement them in society for use in open areas.



Unica's Tugnova compact electric tow tractor is expected to improve the efficiency of operations through the use of autonomous vehicles within factories

TOPICS

Partner collaborations

We are expanding collaborations with specialized institutions in Japan and overseas while searching for next-generation business fields and developing products with a focus on mobility and manufacturing.

In October 2021, we concluded an organizational cooperation agreement to improve the quality of our industry-academia activities, including joint research and creation of new projects with Tohoku University, and to expand the scope of our partnerships by strengthening organization-to-organization ties. As part of this framework agreement, and with the aim of accelerating research and development toward achieving carbon neutrality, we also established and began activities through the "Aichi Steel x Tohoku University, Materials & Process for the Next-Generation Electric Axle Co-Creation Research Institute" with a view toward the next-generation mobility era. We are also promoting practical application of research outcomes in society through industry-academia partnerships in every field where mutual cooperation is possible, including research and development, and creation of new projects.



Press conference announcing the Co-Creation Research Institute, jointly established with Tohoku University



Corporate Governance

Basic approach

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

Compliance with the Corporate Governance Code

We implement all principles of the Corporate Governance Code and detail our actions in the Corporate Governance Report that we submit to the Tokyo Stock Exchange. Aichi Steel's Corporate Governance Reports are available on the Tokyo Stock Exchange website.

Changes in the corporate governance system

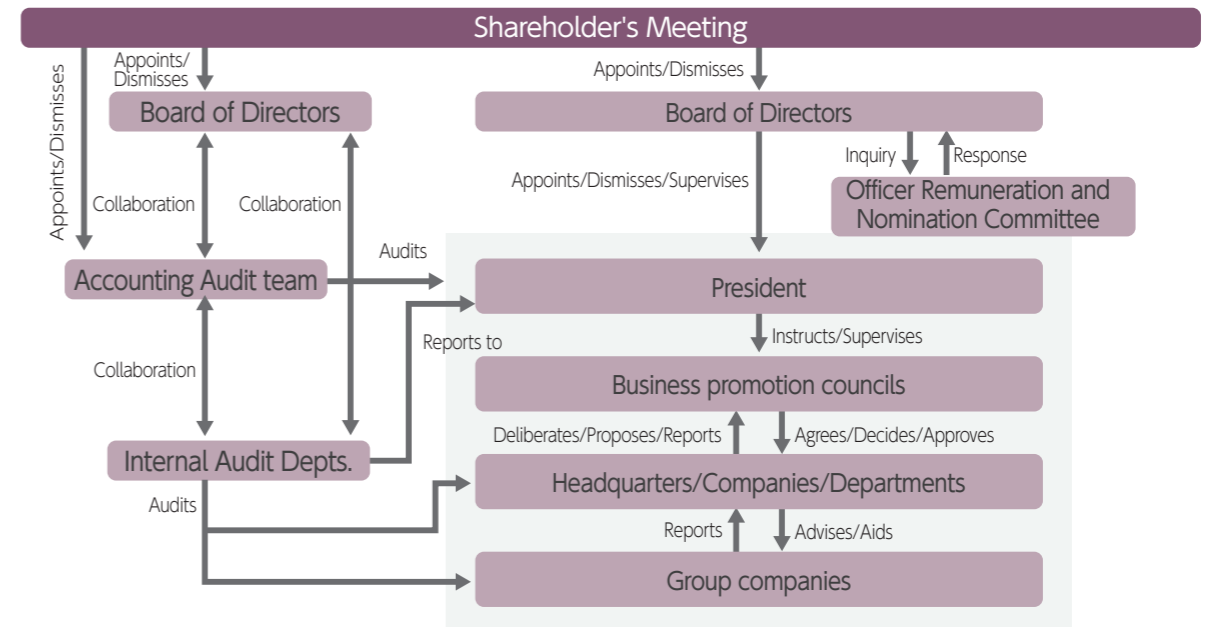
	2014 and earlier	2015	2016	2017	2018	2019	2020	2021	2022
Number of officers		23	25	26	26	25	27	16	14
Number of Directors		8	10	10	6	6	6	6	6
Number of outside Directors in above		1	2	2	2	2	2	2	2
Number of females in above		0	1	1	1	1	1	1	1
Number of Audit & Supervisory Board Members		5	5	5	4	4	4	4	4
Number of outside Audit & Supervisory Board Members in above		3	3	3	2	2	2	2	2

Separation of management and execution functions	June 2013 Clarified roles of management (decision-making and supervision) and business execution, and adopted an executive officer system to increase the speed of management	April 2020 Consolidated Managing Executive Officer and Senior Managing Executive Officer positions into a single Managing Executive Officer role	April 2021 Integrated Officer and Executive Officer positions, and established a new Executive Officer position, to increase the speed of management
	June 2018 Established Officer Remuneration and Nomination Committee as a voluntary committee equivalent to a nomination and remuneration committee		
	June 2015 Appointed outside Directors		
Improvement of effectiveness		March 2017 Started evaluating effectiveness of Board of Directors	
		April 2018 Introduced systemic reporting and discussion of medium- to long-term priority issues as a special topic for the Board of Directors	
		June 2020 Revised director remuneration system (introduced Restricted Stock Remuneration Plan)	

Corporate governance system

Aichi Steel uses an Audit & Supervisory Board Member system to enhance the supervisory function of the Board of Directors and improve the effectiveness of business execution of the Managing Executive Officers and Executive Officers. To further facilitate accurate, prompt, and fair decision-making, we also introduced a management system in June 2018 with at least one-third of the Board of Directors being independent outside Directors. The Officer Remuneration and

Nomination Committee is in charge of nomination and remuneration of Directors and Managing Executive Officers. With a majority of members being independent outside Directors and the chairman also being an independent outside Director, this committee helps to improve independence and objectivity by considering and discussing these matters before presenting their decisions to the Board of Directors.



Board of Directors

Comprising six Directors, which include two independent outside Directors, the Board of Directors make decisions concerning important matters for management of Aichi Steel, and supervises business execution.

Number of meetings held: **14**
 Attendance: **96%** (Directors) / **96%** (Audit & Supervisory Board Members)

Audit & Supervisory Board

Comprising four Audit & Supervisory Board Members, which includes two outside Audit & Supervisory Board Members, the Audit & Supervisory Board audits lawfulness and appropriateness of the Board of Directors in execution of their duties. Where necessary, it also liaises with accounting auditors and internal audit departments to audit the state of the Internal Control System.

Number of meetings held: **13**
 Attendance: **100%** (internal) / **100%** (outside)

Officer Remuneration and Nomination Committee

The Officer Remuneration and Nomination Committee discusses and responds to inquiries from the Board of Directors in relation to the following matters.

- Officer remuneration: Basic policies related to the remuneration system and remuneration decisions, the remuneration structure, payment levels for each position, and individual remuneration amounts, etc.
- Officer appointments: Basic policies related to the officer system and structure, proposed appointments and dismissals of the Board of Directors and members of the Audit & Supervisory Board, and succession plans, etc.

Number of meetings held: **4**
 Attendance: **100%** (internal and outside officers)



Corporate Governance

Directors and Audit & Supervisory Board Members

Support system for outside officers Audit and supervisory roles of management

We are working to improve the efficiency of our Board of Directors by having relevant departments provide explanations of agenda items to outside officers prior to discussion. Our aim is to eliminate differences in access to information compared to internal officers, and to maximize performance from an independent and objective perspective. We also provide opportunities for outside Directors to attend meetings of the Audit & Supervisory Board to not only actively provide information, including explanations of management issues, but to energize discussions and communication between outside officers as well.

Four member of the Audit & Supervisory Board (two Audit & Supervisory Board Members and two outside Audit & Supervisory Board Members) make use of dedicated members of staff to supervise the Board of Directors in execution of their duties and to audit business and financial performance of Aichi Steel and its subsidiaries. In addition to attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board Members audit the execution of business by the Board of Directors, and provide oversight of management, through such things as communication and information sharing with internal audit departments and accounting auditors.

Business execution structure

At Aichi Steel, we separate the functions of the Board of Directors, which supervises management, and the officers, who are responsible for business execution. Managing Executive Officers fulfill the roles of General Managers and Presidents of each Headquarters and Company, and support the Aichi Steel president from a companywide perspective. Executive Officers lead frontline business practices as officers, and are responsible for executing business functions by making prompt decisions with a sense of urgency.

Board of Directors effectiveness evaluation

We interview and survey all members of the Board of Directors on topics such as operation of the Board of Directors, matters discussed by the Board of Directors, the decision process, and support for outside officers.

We are working to improve effectiveness by reporting the results of our evaluations to the Board of Directors, and sharing issues and matters that need improvement.

In fiscal 2021, we reported that the Board of Directors as a whole operates effectively, but we also identified the following issues and solutions.

Issues	Solutions
Need to increase opportunities for outside officers to deepen their understanding of Aichi Steel	Improve provision of information by recommending, and continuing to conduct, site inspections
Need to deepen discussions on priority management issues such as rapid changes in the business environment, and resource and energy issues	Ensure sufficient quality and quantity of discussions between parties in relation to initiatives to address sustainability issues and business portfolio strategies

Policies and procedures for achieving balance and diversity in the Board of Directors

To enable accurate and prompt decision-making and appropriate risk management that delivers sustainable growth and improved medium- to long-term corporate value, our Board of Directors is composed of members with expertise in all business and function areas who can also achieve a balance between knowledge, experience, skills, and diversity. We take particular care to appoint outside officers, with management experience at other companies, who are expected to supervise management at Aichi Steel.

Procedure for appointment of Directors and Audit & Supervisory Board Members

- (1) The Officer Remuneration and Nomination Committee (voluntary committee with a majority of members being independent outside Directors and the chairman also being an independent outside Director) regularly and as required evaluates and carefully considers experience, knowledge, performance and other factors, and then reports its nomination candidates to the Board of Directors.
- (2) The Board of Directors makes tentative decisions on nomination candidates with reference to the reports of the Officer Remuneration and Nomination Committee, and then makes final decisions through resolutions at general meetings of shareholders (and after prior approval of the Audit & Supervisory Board in the case of nominations for members of the Audit & Supervisory Board).

Skill matrix for Directors and Managing Executive Officers

Name	Position	Officer Remuneration and Nomination Committee	Corporate Management	Technology & Development	Production & Quality	Sales & Procurement	Financial Affairs	Legal Affairs	Human Resources	Overseas	IT & Digital	Environment & Energy
Takahiro Fujioka	President	✓	✓		✓		✓	✓	✓	✓	✓	
Motoshi Nakamura	Executive Vice President		✓	✓	✓							
Naohiro Yasunaga	Director		✓	✓	✓	✓						✓
Ichie Nomura	Director		✓	✓	✓							
Koichi Yasui	Director Outside Independent	*	✓			✓	✓	✓	✓		✓	✓
Yuko Arai	Director Outside Independent	✓	✓			✓				✓		
Toshiyuki Yamanaka	Managing Executive Officer		✓			✓						
Toshio Ito	Managing Executive Officer		✓		✓					✓		
Tetsuo Kondo	Managing Executive Officer		✓		✓							
Naoki Ishii	Managing Executive Officer		✓				✓	✓	✓		✓	

* Chairman of the Officer Remuneration and Nomination Committee

Officer remuneration

Basic approach

The officer remuneration system was designed according to the following policies.

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

Decision processes

Established as an advisory body to the Board of Directors, the voluntary Officer Remuneration and Nomination Committee has a majority of members being independent outside Directors and the chairman also being an independent outside Director. The committee considers remuneration and other systems and levels, individual levels of remuneration, and other factors, and then responds to the Board of Directors. The Board of Directors makes final decisions with reference to the reports of the Officer Remuneration and Nomination Committee.

From the perspective of maintaining independence, remuneration for outside Directors is at a fixed rate. Monthly payments of this fixed remuneration are determined at a level that takes into account the economic environment, market trends, and payment levels of other companies.

System

Fixed remuneration		Variable remuneration	
1	Basic remuneration (monthly)	2	Short-term incentives (bonus)
	72%		18%
		3	Medium- to long-term incentives (stock remuneration)
			10%
1	Basic remuneration	• Remuneration determined after reflecting an evaluation of performance in the base amount for each position	
2	Short-term incentives (bonus)	• Incentives calculated by multiplying the standard bonus amount by an index after a comprehensive consideration of factors including dividends, employee bonus levels, trends at other companies, medium- to long-term business performance, and past payment amounts	
3	Medium- to long-term incentives (stock remuneration)	• The number of shares granted are about 10% of the entire remuneration package, are given as common stock of the company, and are in accordance with the roles • The period applicable to restricted stock ceases immediately after the officer's retirement from his or her position as defined in advance by the Board of Directors	

Corporate Governance

Remuneration and other payments to members of the Board of Directors and Audit & Supervisory Board

Officer classification	Total remuneration (million yen)	Total remuneration by type (million yen)			Number of applicable officers (persons)
		Basic remuneration	Bonus	Stock remuneration	
Directors (excluding outside Directors)	244	189	30	24	4
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	73	73	-	-	3
Outside officers	36	36	-	-	4

(Note) 1. Performance-based remuneration includes bonus amounts determined by resolution at the meeting of the Board of Directors on May 16, 2022.
 2. Non-monetary remuneration includes amounts related to restricted stock granted to Directors (excluding outside Directors) and expensed during the current fiscal year.
 3. The above includes one Audit & Supervisory Board Member who retired at the close of the 117th Ordinary General Meeting of Shareholders held on June 23, 2021.

Cross shareholdings

Basic approach

Cooperative relationships with a range of companies are essential for ensuring continued growth in a rapidly changing business environment. For this reason, we engage in cross holdings with other companies, but only if we deem them to be effective in improving corporate value from a medium-to long-term perspective in light of our business strategy, future relationships, and other factors.

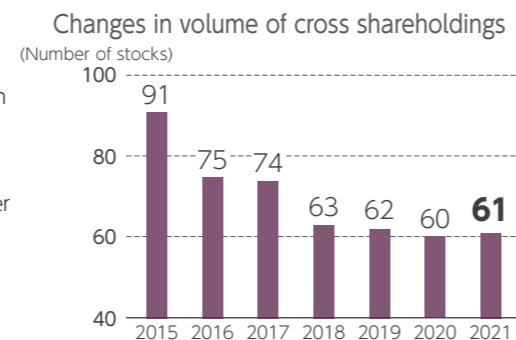
Verification of cross shareholding suitability

At the annual meeting of the Board of Directors, we make comprehensive assessments of the rationality of each cross shareholding based on qualitative analysis (including trading status and business-level collaborations) and quantitative analysis (whether dividends, business profits and other factors exceed our weighted average cost of capital). If the shareholding is not deemed to be suitable, we decide on what course of action to take, including disposing of the shares.

Standard for exercising voting rights

We exercise our voting rights from various perspectives, including whether the decision would lead to improved shareholder profits over the medium- to long-term while fully respecting the management policy, business strategies and other decisions of the companies in which we invest.

When exercising our voting rights, we make decisions on individual agenda items after confirming business performance, governance, and whether any capital policy would represent a conflict of interest with us, or would change or dilute our shareholdings.



Status of cross shareholdings

	Number of stocks Value on the balance sheet	Stocks with increased shareholdings in the current fiscal year	Stocks with decreased shareholdings in the current fiscal year
Unlisted stocks	40 stocks 7,593 million yen (Change from previous year: +52 million yen)	1 stock 51 million yen	—
Stocks other than unlisted stocks	21 stocks 15,741 million yen (Change from previous year: -811 million yen)	—	—

The above stock addition, which increased the number of shares held, was necessary for maintaining and improving the corporate value of Aichi Steel over the medium- to long-term.

Outside Director Interview



Koichi Yasui
Outside Director



Yuko Arai
Outside Director

Q1 How would you rate the current Aichi Steel Board of Directors?

Yasui: I have the impression that matters are fully discussed and well considered within the company prior to being deliberated on in meetings of the Board of Directors. Important points that need discussion are also clarified, which leads to a constructive exchange of opinions in the Board of Directors.

On the other hand, I believe that there is still room for further improvement in terms of more comprehensive discussions in the draft stage and consideration of matters from more diverse perspectives.

Arai: As an outside Director, I am provided with easy-to-understand information needed to supervise the decision-making processes and business execution of the Board of Directors, and from that I believe that the Board of Directors is operating efficiently.

However, the business environment is changing dramatically. I would like to provide opportunities for

generation of new ideas as well by sharing lots of different information with each other about topics not on the agenda.

Yasui: Special topic reports are presented on the company's business environment, medium- to long-term strategy trends, and future-focused priority issues. In this and other ways, active discussion is being encouraged.

On the other hand, these discussions have been interrupted by the COVID-19 pandemic, so I am looking forward to restarting site inspections as soon as possible in places like the Smart Company, which will become an important business for the company going forward. I believe that visiting those sites as much as possible to get direct access to the ideas and thoughts of the people working there will lead to even more effective discussions.

In any case, since my appointment, I have found that the function of the Board of Directors is getting better every year.

Q2 What are your thoughts on initiatives to realize carbon neutrality, which is of the utmost importance for Aichi Steel?

Yasui: Major changes in the environment have the potential to create severe risks for Aichi Steel, but carbon neutrality is not something that can be achieved by continuing to implement current practices. In addition to the company's existing commitment to energy-saving activities, Aichi Steel must not only increase its usage of renewable energies, but fully demonstrate its spirit of reform that has become a part of the company's culture. It has to be resolute in taking on the challenges of developing new technologies and opening up new markets.

Arai: Aichi Steel has formulated a really specific plan to realize carbon neutrality by 2050, and it is being implemented in a way that is easy to understand for employees.

However, a lot of different mechanisms must be employed to take on such a big challenge. One thing that is important is to encourage every employee to take ownership and act on their own initiative. And something that is essential is speed of management. With the environment changing moment by moment, the company must accelerate the management cycle from decision-making through to implementation.

Q3 What expectations do you have of Aichi Steel when tackling challenges like this?

Arai: To tackle challenges like carbon neutrality, as well as sustainability issues like social issues and governance, the management team must present a clear vision and employee activities must be driven from the bottom up. This would include developing systems and mechanisms that encourage independent action from individuals and workplace colleagues not only deciding and achieving their own targets, but evaluating the processes as well. With sustainability growing evermore important, and to ensure that Aichi Steel remains the company of choice around the world, I hope to meet the expectations of stakeholders as an outside Director through discussions in meetings of the Board of Directors.

Yasui: To support the autonomous willingness and motivation of employees, it is important to persevere in the cultivation of a workplace culture on which to base that. I am sure that when each employee understands the company's directions and their own roles in successfully addressing difficult challenges, and strives to achieve their goals, it will not only lead to personal growth but to development of the company as well. I will also check out the state of these initiatives through site inspections myself, and provide support from an outside perspective and as a person from an energy company.

Corporate Governance

Directors and Audit & Supervisory Board Members



Takahiro Fujioka
President

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



Motoshi Nakamura
Executive Vice President

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



Naohiro Yasunaga
Director and Managing Executive Officer
General Manager, Manufacturing Innovation Headquarters

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



Koichi Yasui
Outside Director

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



Yuko Arai
Outside Director

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



Ichie Nomura
Director and Managing Executive Officer
General Manager, Research and Development Headquarters

Attendance at Board of Directors meetings
0 of 0 (0%)



Hiroaki Chino
Audit & Supervisory Board Member

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



Hirofumi Yokota
Audit & Supervisory Board Member

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



Koichi Ito
Outside Audit & Supervisory Board Member

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



Katsuyuki Ogura
Outside Audit & Supervisory Board Member

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

Risk management

Basic approach

Business environments are becoming increasingly diverse and are experiencing major changes, including climate change, resource depletion, tension in international affairs, large-scale disasters and spread of the pandemic, supply chain disruptions and other issues impacting business activities, and instability of society due to growing divides. These social and environmental challenges are having a severe impact on companies' value creation and business models. Such conditions have made risk management one of the most important challenges for

management, so we are working to minimize risks and both enrich and enhance risk management. Specifically, we classify threats to business management as either "risks" (matters yet to materialize) or "crises" (emergencies that have materialized). We then focus on preventive measures that eliminate risks before they become crises, and on prompt and accurate initial and recovery responses that minimize damage in the event of a crisis occurring.

Promotion framework

In line with our risk management rules, the General Affairs Officer is responsible for risk management and for promoting risk management across the company. In the event of a crisis occurring, a companywide emergency control headquarters is established and a system is established to deliver a crisis response on a companywide basis.

Example: Framework for reviewing earthquake preparedness



Annual policy and example of initiatives

Twice a year, at the midpoint and at the end of the fiscal year, the Corporate Planning Committee discusses and approves the risk management progress review, annual policy, and approach going forward. The fiscal 2022 policy is

to focus on improving the company's business continuity plans in light of issues such as the increasing seriousness of climate change and disruptions in supply chains.

(1) Risk map overhaul

During the annual overhaul of Aichi Steel's companywide risk map (matrix of priorities and impacts on management), all risk factors on the risk map were checked and risk measures were largely confirmed to have been taken.

(2) Flood control measures for super typhoons, etc.

One issue identified during the risk map overhaul was flood prevention for buildings and equipment, which was considered as a measure against storm surges from super typhoons on the scale of Typhoon Vera (Isewan Typhoon) and heavy rains from linear rain bands.

(3) Emergency drills

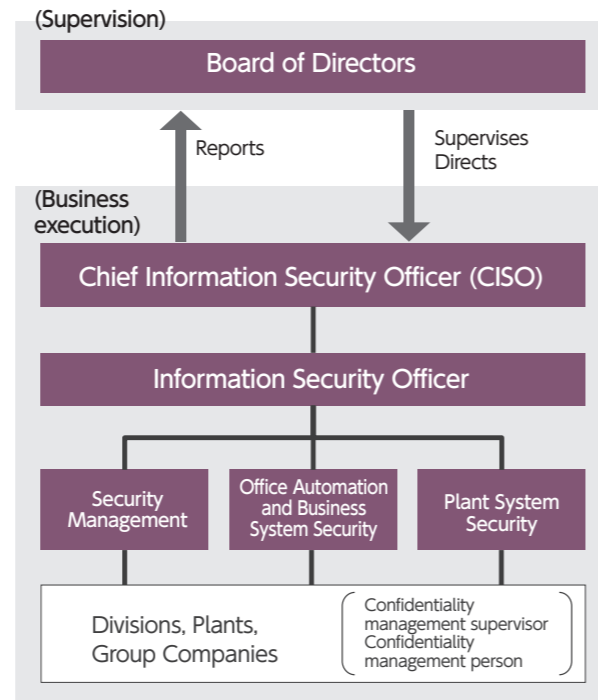
If an earthquake were to occur in the Nankai Trough, it is predicted that the Tokai Region, where Aichi Steel's manufacturing sites are concentrated, would be impacted enormously. To prepare for such a situation, we conduct companywide evacuation drills twice a year, hold nighttime drills, and have meetings to confirm procedures for evacuating production lines, with a focus on initial response measures to minimize damage. We also conduct simulations once a year, with the companywide emergency control headquarters controlling everything from the initial earthquake through to confirming the status of damage, and formulating a recovery plan. In fiscal 2022, we conducted our first firefighting training in collaboration with the Tokai City Fire Department, from initial efforts to extinguish a fire to use of fire hoses, as part of efforts to strengthen our disaster preparedness.

Corporate Governance

Information security

Basic approach

In addition to holding important information assets, including entrusted customer and supplier information and proprietary trade secrets, Aichi Steel has been adopting remote operations and networking factory equipment over recent years. We are implementing information security measures in recognition that stability of product supply is a company responsibility and an important management issue. We are doing this by protecting information assets from cyberattacks and other threats, data leaks, and other issues that have been increasing on a yearly basis, and by maintaining continuity of normal business activities.



Promotion framework

We have established a groupwide system, based on the All Toyota Security Guidelines (ATSG) shared within the Toyota Group and led by the Chief Information Security Officer (CISO), for maintaining and improving information security on a systematic and ongoing basis. We are also working to ensure the same level of security can be maintained on a global level.

The CISO oversees all information security and information asset protection for the group as a whole, while the Security Management, Office Automation and Business System Security, and Plant System Security organizations are in charge of planning, promotion, auditing, and support. Twice a year, the Board of Directors receives progress, issue, and other reports from the CISO as part of its supervisory function.

Security management

To prevent leakages of trade secrets and personal information, we have established rules regarding the procedures for handling documents and data, sending and receipt of email, and management standards and procedures for computers and peripheral devices.

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

Cybersecurity

We have adopted a range of security systems and use the monitoring services of specialized security organizations to enable detection, defense, rapid response to incidents and accidents, and other measures against cyberattacks on our networks, infection by computer viruses, and other problems. With a recent increase in the threat of cyberattacks on factory equipment, we are taking a number of measures such as establishing dedicated security policies for our plants and strengthening physical measures.

Auditing and education

To maintain and improve security, each of our worksites does a self-assessment once a year using a confidentiality management audit sheet to ascertain the state of their confidentiality management. Depending on the result of that assessment, the confidential information management department carries out an onsite inspection to audit the site and provide guidance. We also conduct local inspections of group companies and provide ongoing support for ATSG-based measures.

To improve the IT literacy of employees and raise their awareness, we regularly provide and share the latest information at the Workplace Representative Liaison Meeting, and provide training about suspicious emails, e-learning opportunities and other education to all employees.

Compliance

Basic approach

Based on the belief that commitment to compliance is the basis and the foundation for a company's continued existence, we not only follow the Aichi Steel Group Action Guidelines and comply with laws and regulations, but we also comply with social norms and decency, and internal company rules. For this reason, we strive to raise awareness of compliance, to prevent misconduct, and to fulfill the social responsibilities of the company.

Promotion framework

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 Corporate Planning Committee—headed by the Corporate Planning Headquarters General Manager—sets and reviews compliance policies on a regular basis.



Specific initiatives

Education and awareness activities

The Compliance Liaison Meeting, which comprises the people in charge of compliance in each department, meet once each quarter. The General Affairs Division and each department share information, including revisions to laws and regulations and points of concern regarding legal compliance, with the rest of the company. Other measures to prevent violations of laws and regulations include "Compliance Close Call" (analysis of events in daily operations that could lead to violations of laws and regulations) awareness activities conducted by all employees, and compliance education for promotees and others through job level-based training. In addition to education on what not to do, which has been the norm until now, we are also introducing "ethical" compliance education from fiscal 2021 to encourage employees to act with honor and pride as members of the Toyota Group with its long history.

Awareness surveys

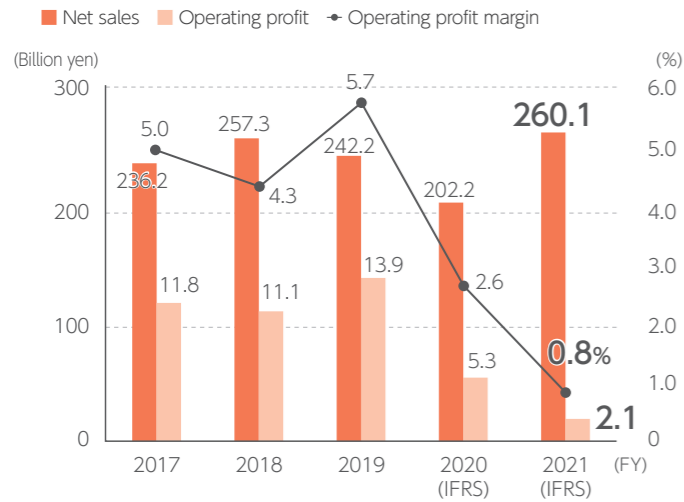
In fiscal 2021, we conducted our first compliance survey of all employees to understand the current state of compliance and any related issues. While we found a generally high level of compliance awareness among employees and workplaces, we did identify some issues such as the need for greater knowledge of laws and regulations. Going forward, we will continue making improvements through regular awareness surveys and related measures.

Whistle-blowing system

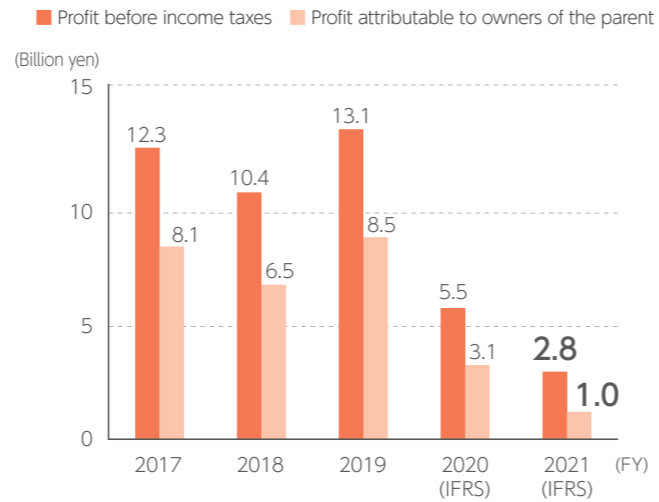
We have established the Aichi Steel Compliance Hotline, our internal whistle-blowing system, to promote early detection of violations of laws and regulations, and misconduct, within the company and to self-govern through appropriate measures. Whistleblower protections and operational matters are defined in the Code of Corporate Ethics, and are revised in line with amendments of the Whistleblower Protection Act. In fiscal 2021, a total of 13 reports were received. The Audit & Supervisory Board Members and General Affairs Division followed them up through information sharing and fact-finding activities, and took corrective and disciplinary action where required.

Financial Highlights

Net sales, operating profit, and operating profit margin

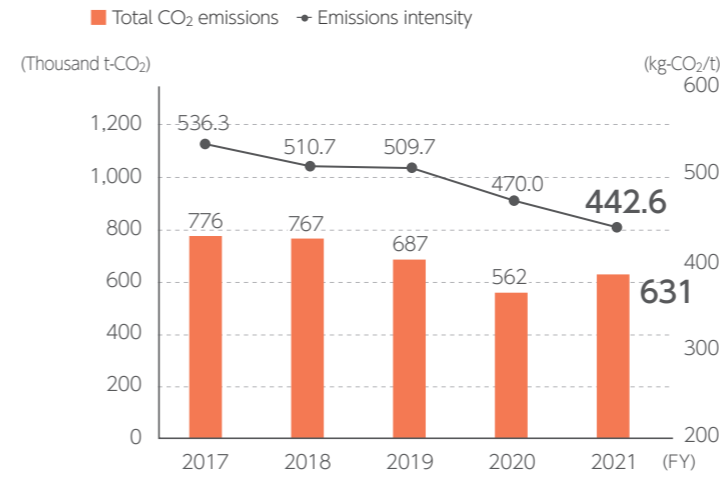


Profit before income taxes and profit attributable to owners of the parent

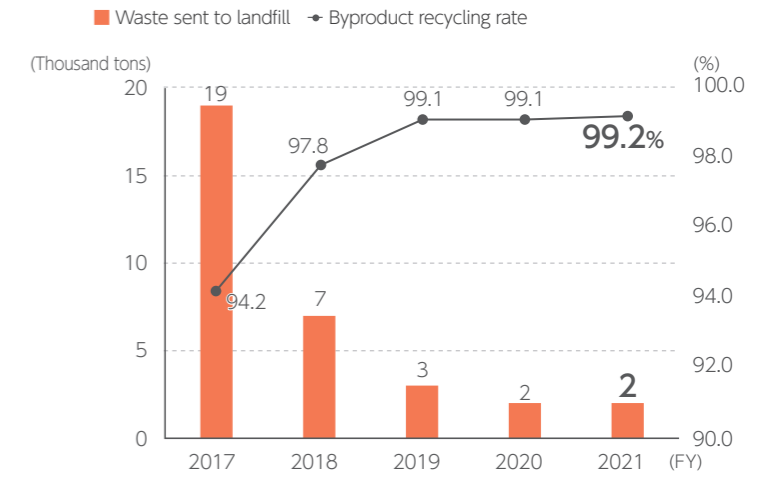


Non-financial Highlights

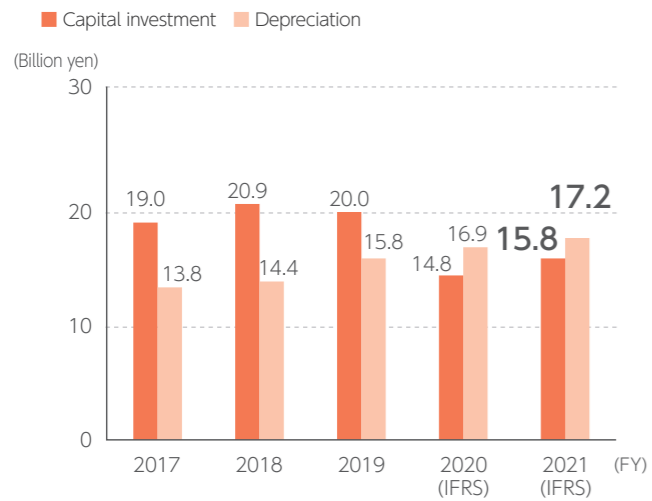
Total CO₂ emissions and emissions intensity (unconsolidated)



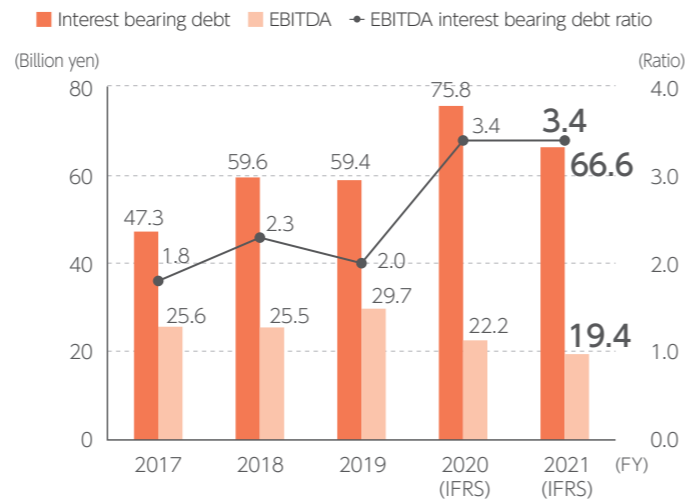
Byproduct recycling rate



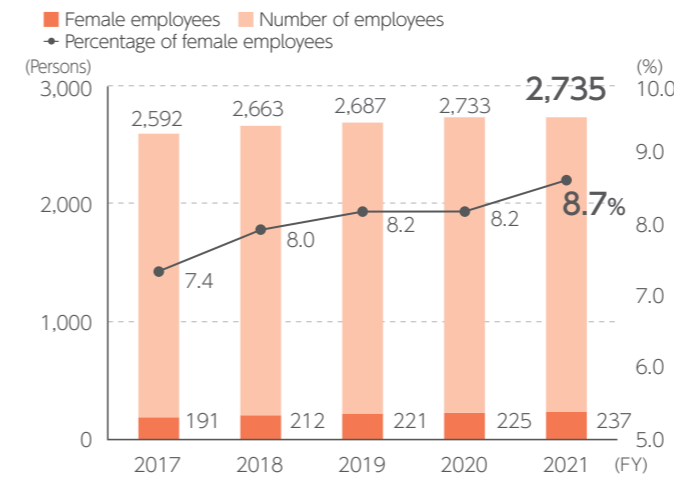
Capital investment and depreciation



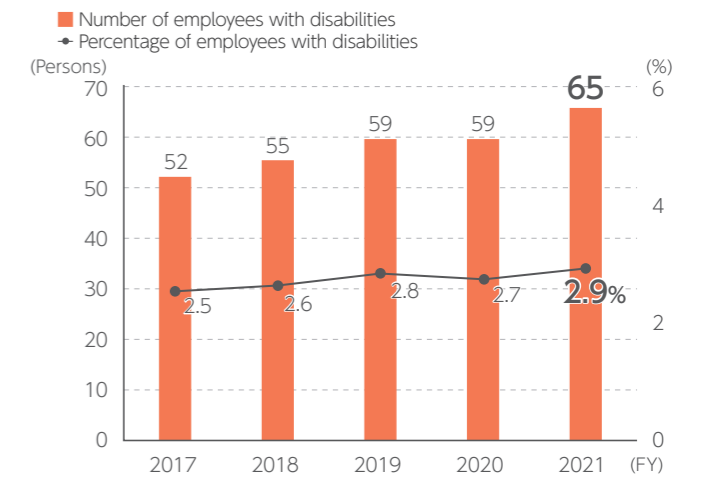
Interest bearing debt, EBITDA, and EBITDA interest bearing debt ratio



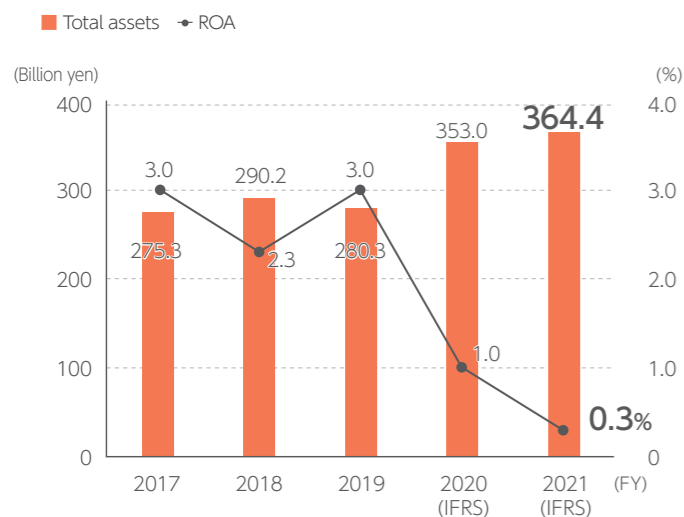
Number of employees and number of female employees included in total (unconsolidated)



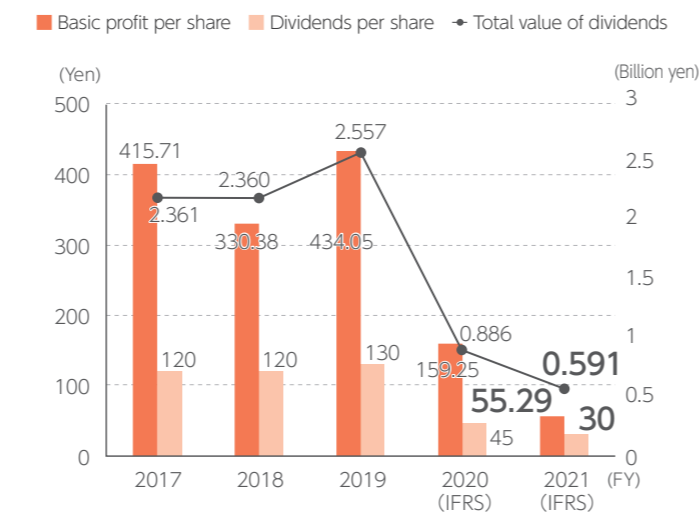
Number of employees with disabilities (unconsolidated)



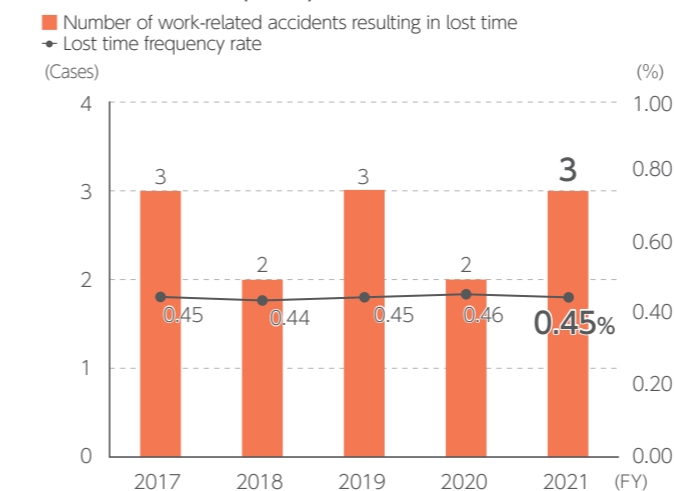
Total assets and ROA



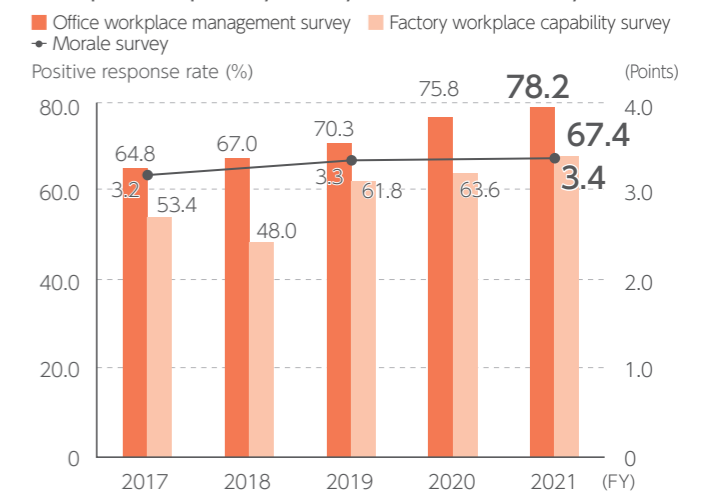
Basic profit per share, dividends per share, and total value of dividends



Number of work-related accidents resulting in lost time and lost time frequency rate (unconsolidated)



Office workplace management survey, factory workplace capability survey, and morale survey



Key Financial Data (11-year summary)

(Million yen)

	Japanese accounting standards										IFRS	
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020	FY2021
Profit and loss												
Net sales	227,478	217,279	237,420	240,647	214,120	212,837	236,237	257,315	242,262	204,908	202,247	260,117
Segment:												
Hagane Company	–	–	–	–	–	96,225	110,974	130,180	121,899	68,216	67,888	99,556
Stainless Steel Company	–	–	–	–	–	–	–	–	–	32,757	30,749	36,322
Kitaeru Company	–	–	–	–	–	99,599	107,352	109,217	102,018	86,012	85,993	103,037
Smart Company	–	–	–	–	–	13,820	14,786	14,627	14,865	15,476	15,171	18,970
Other businesses	–	–	–	–	–	3,191	3,123	3,290	3,477	2,444	2,444	2,230
Operating profit	8,458	7,332	9,627	10,616	5,883	7,218	11,813	11,119	13,901	3,563	5,317	2,139
Segment:												
Hagane Company	–	–	–	–	–	5,653	8,006	9,245	8,970	-2,294	-1,587	-7,238
Stainless Steel Company	–	–	–	–	–	–	–	–	–	2,467	2,740	2,536
Kitaeru Company	–	–	–	–	–	845	2,747	1,057	3,329	1,909	2,387	4,311
Smart Company	–	–	–	–	–	237	348	-39	606	673	974	1,773
Other businesses	–	–	–	–	–	482	710	856	993	807	782	889
Operating profit margin (%)	3.72	3.37	4.05	4.41	2.75	3.39	5.00	4.32	5.74	1.74	2.60	0.82
Profit before tax	7,884	7,768	9,779	10,693	1,409	8,045	12,371	10,455	13,158	4,717	5,552	2,895
Profit attributable to owners of parent	4,246	4,898	5,503	6,023	20	5,084	8,182	6,503	8,543	3,049	3,136	1,089
Capital expenditures and R&D expenses												
Capital expenditures	10,649	10,272	12,930	12,752	15,408	20,831	19,020	20,914	20,068	14,194	14,868	15,874
Depreciation expenses	14,447	12,840	12,355	11,833	12,692	12,353	13,818	14,423	15,884	16,963	16,903	17,276
R&D expenses	3,337	3,597	3,471	3,538	3,282	3,304	3,777	3,992	3,758	4,054	3,962	4,252
Profitability												
Profit margin attributable to owners of parent (ROE) (%)	3.55	3.96	4.17	4.14	0.01	3.60	5.55	4.27	5.56	1.88	1.71	0.55
Total assets attributable to owners of parent (ROA) (%)	1.76	2.04	2.23	2.33	0.01	1.95	2.99	2.30	2.99	1.03	0.95	0.30
Assets, liabilities and capital												
Total assets	241,951	238,165	255,259	264,694	251,078	271,763	275,315	290,294	280,380	314,040	353,043	364,400
Total equity (Net assets)	126,111	132,436	144,965	161,669	147,534	151,273	160,806	161,889	163,691	179,716	202,883	212,475
Equity attributable to owners of parent (Capital adequacy)	120,786	126,323	137,592	153,316	139,344	143,024	151,891	152,638	154,647	169,811	192,953	201,548
Ratio of equity attributable to owners of the parent (%)	49.92	53.04	53.90	57.92	55.50	52.63	55.17	52.58	55.16	54.1	54.7	55.3
Interest bearing debt	58,983	51,243	52,046	44,915	37,447	54,598	47,317	59,618	59,445	75,878	75,864	66,668
Debt-equity ratio (Ratio)	0.49	0.41	0.38	0.29	0.27	0.38	0.31	0.39	0.38	0.45	0.39	0.33
Cash flows												
Cash flows from operating activities	11,164	27,757	14,992	19,336	25,193	13,350	13,164	13,580	36,308	14,793	15,896	5,210
Cash flows from investing activities	-14,067	-11,867	-11,993	-13,565	-12,122	-19,677	-20,954	-19,765	-24,517	-13,834	-14,247	-15,542
Cash flows from financing activities	-741	-10,198	-1,911	-10,158	-9,466	15,231	-9,509	9,035	-3,290	14,168	13,479	-11,987
Investment indicators												
Basic net profit per share (Yen)	216.21	249.37	279.94	306.25	1.02	258.34	415.71	330.38	434.05	154.82	159.25	55.29
Net assets per share attributable to owners of parent (Yen)	6,148.61	6,430.50	6,995.84	7,794.08	7,080.24	7,266.42	7,716.77	7,754.80	7,857.00	8,619.39	9,794.01	10,224.55
Dividends per share (Yen)	100	100	100	100	100	100	120	120	130	45	45	30
Payout ratio (%)	46.3	40.1	35.7	32.7	–	38.7	28.9	36.3	30.0	29.1	28.3	54.3
Employees (Persons)	4,406	4,504	4,613	4,617	4,654	4,773	4,847	4,957	4,912	4,826	4,826	4,740

1 Every 10 shares in the Company were consolidated into one share effective of October 1, 2016. Net profit per share, net assets per share, and dividends per share were calculated in anticipation of this share consolidation at the beginning of FY2009.

2 The ASBJ Statement No. 28, Partial Amendments to Accounting Standard for Tax Effect Accounting (February 16, 2018) came into force at the beginning of FY2018. The key management indicators for FY2014, FY2015, FY2016 and FY2017 represent retrospective application of this accounting standard. Indicators and other information for FY2011, FY2012, and FY2013 remain as they were prior to application of this accounting standard.

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

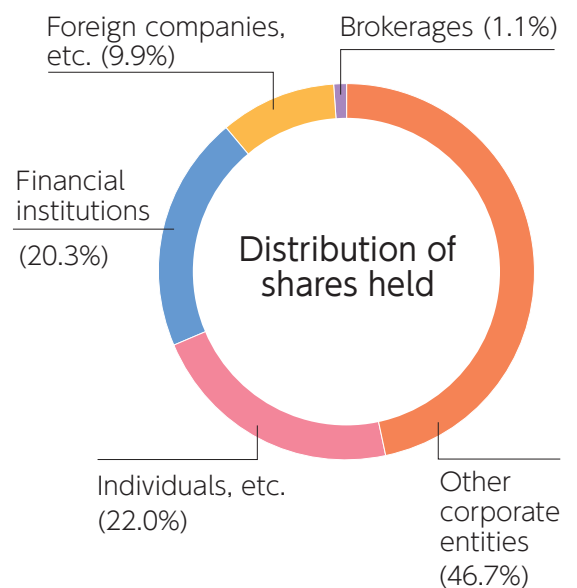
Company and Share Information (as of March 31, 2022)

Company Profile

<p>Company name</p> <p>Established</p> <p>Capital</p> <p>Head office</p> <p>Employees</p> <p>Number of consolidated subsidiaries</p> <p>Accounting year</p>	<p>Aichi Steel Corporation</p> <p>March 8, 1940</p> <p>25,016 million yen</p> <p>1, Wanowari, Arao-machi, Tokai-shi, Aichi 476-8666, Japan</p> <p>Consolidated 4,740/ Non-consolidated 2,735</p> <p>18</p> <p>From April 1 to March 31 the following year</p>	<p>Ordinary general meeting of shareholders</p> <p>Shares per unit</p> <p>Total number of shares outstanding</p> <p>Number of shareholders</p> <p>Ticker symbol</p> <p>Listed exchanges</p>	<p>June</p> <p>100</p> <p>19,712,275 (Excluding 174,400 treasury shares)</p> <p>9,939 (Including Aichi Steel as holder of treasury shares)</p> <p>5482</p> <p>Prime Market of Tokyo Stock Exchange Premier Market of Nagoya Stock Exchange</p>
--	---	---	--

Major Shareholders (Top 10)

Name	Equity in Aichi Steel	
	Stake (thousand shares)	Equity participation (%)
Toyota Motor Corporation	4,715	23.92
The Master Trust Bank of Japan, Ltd. (Trust account)	1,587	8.05
Nippon Steel Corporation	1,531	7.77
Toyota Industries Corporation	1,360	6.90
Sumitomo Mitsui Banking Corporation	491	2.49
MUFG Bank, Ltd.	474	2.41
Towa Real Estate Co., Ltd.	461	2.34
Custody Bank of Japan, Ltd. (Trust account)	373	1.90
Employees' Stockholding	371	1.88
Hokokai's Stockholding	295	1.50



(Note) Towa Real Estate Co., Ltd. changed its name to TOYOTA FUDOSAN CO., LTD. as of April 27, 2022.

External Evaluations



Health and Productivity
Management Outstanding
Organization



Leading Company Where
Women Shine

Rating Information

Japan Credit
Rating Agency

Long-term
A (Stable)

AICHI STEEL

Released: December 2022

Primary contact: Corporate Planning Div., Corporate Planning Headquarters

1, Wanowari, Arao-machi, Tokai-shi, Aichi 476-8666, Japan

Tel: +81-52-603-9209

Fax: +81-52-603-9388

<https://www.aichi-steel.co.jp/ENGLISH/>

