

More enthusiastically, strongly and straightforwardly

AICHI STEEL REPORT 2012



Mission Statement

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

CSR Policy

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

CSR Vision 2015

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

1S Culture

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



Aichi Steel Group's Action Guidelines

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

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

About Aichi Steel Report 2012

■ Editorial Policy

Aichi Steel Report 2012 focuses on disclosing as much as possible about the activities undertaken by Aichi Steel and the Aichi Steel Group during fiscal 2011, including specific examples. Contributory factors are analyzed and measures to be taken are reported for all the objectives we did not attain.

■ Mark/Design

To render new and ongoing activities easily recognizable, new activities are marked **NEW**. Universal Design (UD) fonts and other UD features are used to make the Report easy to read and understand.

■ Readers

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

■ Report Period and Scope

This Report covers activities conducted by the Aichi Steel Group during fiscal 2011 (April 2011 to March 2012). However, some activities conducted before or after fiscal 2011 are also explained where necessary.

■ Reference Guidelines

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

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Business Overview

Corporate Profile

[Establishment] March 8, 1940
[Capital] 25,016 million yen (as of March 31, 2012)
[Representative] Takahiro Fujioka, President
[Employees] 2,367 (as of March 31, 2012)
[Business Description]
 Production and sale of specialty steel products, forgings and electromagnetic products

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

Major Products

Specialty steel

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

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



Stainless steel

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

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



Forgings

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

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



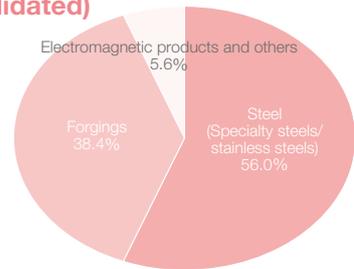
Electromagnetic products/ TetsuRiki-Agri

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

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



Sales Mix (Consolidated)



Results for Fiscal 2011
 Consolidated net sales: 227,478 million yen

Please refer to our Website http://www.aichi-steel.co.jp/ENGLISH/pro_info/index.html

Aichi Steel Group

Subsidiaries in Japan (9 subsidiaries)

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

Overseas subsidiaries (9 subsidiaries)

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

Please refer to our Website http://www.aichi-steel.co.jp/ENGLISH/com_info/a_group.html

We aim to strengthen our global tetra-polar production system to become a “company of choice” for customers and society.

Based on lessons learned from the Great East Japan Earthquake, we will work to establish a system that enables us to fulfill our responsibility as a supplier at the time of a disaster.

- Fiscal 2011 was a tumultuous year, with significant natural disasters and an unprecedentedly strong yen. Please tell us the effects that these have had on your business, and your response.



Takahiro Fujioka
President

Supply system at the time of a disaster

Aichi Steel and its Group companies suffered no direct damage from the Great East Japan Earthquake and floods in Thailand. However, our financial results were impacted by the temporary reduction in production of Japanese auto manufacturers due to supply-chain disruptions. In the second half, demand recovered, and we increased our production volume so as not to interrupt customers' manufacturing operations. We also worked to reduce electricity consumption and lower peak demand, in response to the expected electricity shortages following the Earthquake. As part of these efforts, we switched our weekly days-off to Thursday and Friday during the summer.

On the other hand, we have learned many lessons from the Earthquake. The most important things we learned are the weight of our responsibility as a supplier in times of disaster, and the importance of a backup system. Based on these lessons, we are now developing backup action plans (BAPs) in the framework of Business Continuity Management (BCM) to prepare for the Tokai, Tonankai and Nankai earthquakes, which are expected to hit the Tokai region sometime in the future. We believe that in the event of a disaster, it is important to cooperate across company borders—with affiliates, and even with our competitors. In order to continue production even when our production plants are damaged by a disaster, we are planning the actions and measures to be implemented, including production at alternative facilities and procurement of spare parts from other companies.

In May 2011, we launched a committee to discuss preventive measures against earthquake disasters. To strengthen our disaster prevention and response measures, the Committee is currently working on the analysis of risk factors and a review of our business continuity management (BCM) plan, while exchanging information with other companies and administrative organs. Under the Committee are three subcommittees, which respectively address issues from the software aspect, hardware aspect and production recovery aspect. With the safety of employees as the top priority, the subcommittees are working to develop measures to minimize damage from disasters. The plan is to complete both BAP and BCM plans in two or three years.

Aiming to further reduce costs, we have launched a new project ZZ100 to replace the Z100.

The unprecedentedly strong yen trend, which was triggered by the credit uncertainty in Europe, has continued since 2011, causing significant damage to the Japanese manufacturing industry. No matter how bad the economic situation is, however, we must generate profits. I believe that the key to profitability is cost reduction. Since 2008, we have been promoting Project Z100*, which aims to reduce production costs by more than 10 billion yen in two years by eliminating waste. In fiscal 2011, we launched a new “Project ZZ100,” with the aim of establishing a corporate structure that can generate stable profits in any business environment. We aim to boost our profits to more than 10 billion yen per year by 2015 by further improving our material, resource and energy efficiency. To cite an example, we will use low-cost materials and make full use of our cutting-edge technologies and know-how to produce products with higher added value and better quality than our conventional products.

*“Z100” stands for three Japanese keywords starting with “Z”: “Zikkou-suru” (execute), “Zitsugen-suru” (implement), and “Zettai-yarinuku” (always follow through).

The Great East Japan Earthquake has heightened employees' volunteer spirit.

The year 2011 saw a series of major natural disasters around the world. I feel that these disasters dramatically increased our employees' awareness of corporate social responsibility (CSR). Immediately after the Great East Japan Earthquake occurred, our employees held a meeting to discuss what the Company should and can do in the initial relief phase. As a company, we provided relief supplies, including items stockpiled at our offices and plants, as well as vehicles. Many employees also participated in volunteer activities, including fundraising, removing debris and cleaning up damaged houses. In addition to these activities, we supported the affected areas through our business. To help restore the farmland damaged by the 3.11 tsunami, we provided our product "TetsuRiki-Agri" (which encourages plant growth through the latent power of iron) to some cabbage farmers in Sendai City whose fields were damaged. TetsuRiki-Agri was mixed into the soil, which had become alkaline due to seawater. Larger cabbages were produced in

the fields on which TetsuRiki-Agri was used compared to the fields on which it was not used. Some employees helped with the harvesting. The Company purchased some of the cabbages harvested and used them in meals served at the company canteen. We will continue these farmland restoration efforts in fiscal 2012, in cooperation with the governments of the affected prefectures and related organizations.

Our company has worked to instill a sense of ownership ("Who else will do it if I don't?") in our employees. The fruit of this effort is reflected in our employees' active involvement in volunteer activities. I also feel that our support initiatives for the affected areas are successfully implemented through the O-C-A-P-D cycle, which is advocated by Chairman Yasukawa.

(O-C-A-P-D: O [Occasion: occurrence of an event]; C [check: analysis]; A [Act]; P [Plan: improvement, refinement]; D [Do: standardization])

We seek to be a corporate group with true global competitiveness.

■ Please tell us Aichi Steel Group's global strategies and business strategies.

Establishing a global tetra-polar production system with a view to enhancing our global competitiveness as an integrated steelmaking and forging manufacturer

We aim to be a "company of choice," with true global competitiveness. The biggest strength of Aichi Steel is that we are an integrated manufacturer of steel and forgings. The key to growth is how much we can leverage this strength. When in the summer of 2011 a massive flood occurred in northern and central Thailand, causing extensive damage, our subsidiary in Thailand, Aichi International (Thailand) Co., Ltd. (AIT), was constructing a new plant on the Pinthong Industrial Estate to the southeast of Bangkok. For fear of disruptions in the supply of construction materials, the mother plant in Japan provided full support, including procurement of construction materials and personnel. Thanks to this support, the construction progressed without interruption, and the new plant was completed in May 2012 as originally scheduled. The factory commenced mass production in June. Before the new plant was built, AIT machined the forgings purchased from group companies in China and the Philippines, since its Amata Nakorn Plant (planned to be closed down) has no forging facilities. With the completion of the new plant, AIT has become able to produce components completely, from forging to machining. The new plant will produce components for automobiles including Toyota's Innovative International Multi-purpose Vehicles (IMVs) (vehicles for emerging markets). In the Philippines, Aichi Forging Company of Asia, Inc. (AFC), our production base in the Philippines, has increased its production capacity for transmissions and other components for Japanese auto

manufacturers. In China, Shanghai Aichi Forging Co., Ltd. (SAFC) has reinforced its production system to supply quality products to local Toyota Group companies. With the completion of the new plant in Thailand, a highly-competitive, global tetra-polar production system has been established encompassing Japan, North America, the ASEAN region and China.

Another important issue is procurement, i.e. from where to procure steel materials used by our overseas forging subsidiaries. In China, Shanghai Aichi Forging Co. (SAFC) has purchased steel materials from local manufacturers since May 2012. SAFC has established a business model that purchases steel materials from local manufacturers and uses only good-quality materials that have passed strict inspection. SAFC now uses 100% locally sourced steel. In Thailand and the Philippines, however, there are no steel manufacturers. We will establish a network that ensures timely and cost-effective supply of forgings, by connecting all operations—from steel procurement to forging and shipping—in the ASEAN region by the best and shortest route. In North America, in addition to sales expansion of large forgings, Aichi Forge USA, Inc. (AFU) plans to install additional forging-pressing machines for small and medium-sized forgings. This is part of its efforts to expand its product lineup.

Expanding production capacity of CVT components in response to increasing demand for eco-friendly cars

With the increasing demand for hybrids (including plug-in hybrids), electric vehicles, and compact cars with small engines, the quantity of specialty steel used per vehicle will decrease due to a decrease in the number of engine parts. However, since our company has traditionally focused on components for large vehicles such as trucks and Land Cruisers, our production capacity for compact car components is insufficient. We need to expand our production capability for transmission components for light and medium-sized vehicles and continuously variable transmission (CVT) components. To meet future

demand, we plan to make capital investments to install new machines in our domestic and overseas plants, including both hot forging and cold forging presses. We also plan to expand the cold plate production factory on the Chita Plant premises to double the current production capacity to accommodate the increased orders for cold plates which cool semiconductor components in hybrid cars. We will respond to increasing demand for hybrid vehicles through strategic capital investments.

Message from the President

Accelerating the development of our second and third core businesses

We are accelerating the development of new products, which are expected to become the principal pillars of our business in the future. Our stainless steel products are used for diverse applications, including building materials, ships and household utensils. In August 2011, we installed a state-of-the-art continuous pickling line. The continuous pickling line not only helps improve the surface quality of stainless products, but can also reduce the lead time and cost significantly, thereby improving cost competitiveness against overseas products. In 2011, our company's number-one selling product, stainless steel bars for "SUSCON" concrete reinforcement was accredited by the Minister of Land, Infrastructure and Transportation (MLIT). This was the first nickel stainless steel reinforcement to be accredited by MLIT in the industry. In the future we will redouble our efforts to boost sales of this product by highlighting its strengths. In the electromagnetic product segment, in 2011 we launched the mass production and marketing of a new magnetic powder, developed as a new product in our MAGFINE series, which has contributed greatly to downsizing and weight reduction of auto motors. This new magnetic powder is extremely promising. It has a

high coercive force equivalent to our conventional bonded magnets, although it is produced without using dysprosium*, a rare-earth metal needed to enhance the coercive force of neodymium magnets (which are considered to be the most powerful permanent magnets available today) and by reducing the use of neodymium by 30%. This means that the new magnetic powder will greatly contribute to reducing the risk associated with the procurement of rare resources. What is more, by using injection molding instead of sintering molding, the new magnetic powder can be molded into complex shapes with high accuracy, and various applications are expected including home electronics components. In the business segment for magnetic sensor, which are essential for smartphones and car navigation systems, we have developed a 6-axis magnetic sensor with the world's highest level of accuracy. In fiscal 2012, we aim to produce 30 million units. The MI Sensor has superior following response to the automatic map rotating function and dynamic control of games. The plan is to mass produce and market MI Sensors for supply to smartphone manufacturers all over the world.

* Dysprosium (Dy) is a rare earth element. Addition of a small amount of Dy is indispensable for ensuring a high magnetic force in heat resistant sintered neodymium magnets.

Corporate Strategy and Business Strategy

Corporate strategy in response to changes in the business environment

Aim to be a "company of choice," with true global competitiveness.

New business planning ▶
 • Strengthen marketing capabilities.
 • Plan new products that leverage Aichi Steel's core technology.

• New product development
 • Expanding highly profitable products ▶
 • Components for the next generation of cars and compact cars
 • Enhance the strong products.

• Strengthening our revenue base
 • Global expansion of steel products and forgings ▶
 • Promote reengineering and cost reduction efforts.
 • Strengthen mother plant's functions and reestablish supply chain.

Strengthen manufacturing base.

Strategy by business (objectives of each business)

Business	Objectives
Forgings	<ul style="list-style-type: none"> • Double overseas production; contribute to environmental protection. • Establish innovative technologies. → Transfer technologies to overseas.
Steel	<p>Integrated manufacture of steel and forgings</p> <ul style="list-style-type: none"> • Strengthen revenue base through stringent cost reduction and reengineering efforts. • Deliver total cost advantage for customers by offering high-quality and high-added value products.
	<ul style="list-style-type: none"> • Offer the highest quality in Japan and abroad. • Capture overwhelming market share in the niche areas.
	<ul style="list-style-type: none"> • Commercialize the next generation of magnetic powders and sensors. • Make the electromagnetic components business profitable.
Electromagnetic components	<ul style="list-style-type: none"> • Commercialize the next generation of magnetic powders and sensors. • Make the electromagnetic components business profitable.

We seek to contribute to building a sustainable society by enhancing our CSR management on the basis of our "1S" culture.

Placing importance on the customer's point of view and the sense of ownership of each individual employee

How do you think the Aichi Steel Group will contribute to building a sustainable society?

As a corporate group that contributes to building a recycling-oriented society

Aichi Steel is a recycling-oriented company whose main business is to produce high value-added specialty steel from scrap iron generated from end-of-life vehicles, through re-melting and chemical composition adjustment processes. The steel materials that we produce are transformed into components that are assembled into various products. After products reach the end of their useful lives, scrap iron is recovered from those end-of-life products and reused again as the raw material in steelmaking. To maximize effective use of resources,

we produce grinding material that can replace natural ore ("AS Shot") by using steelmaking slag, a by-product of the steelmaking process, as the raw material.

As part of our efforts to further strengthen our manufacturing capabilities so as to contribute to resource conservation and energy saving to help prevent global warming, we will replace old equipment and facilities by fiscal 2015 to establish an energy-efficient production process.

Efforts to instill the 1S culture in overseas subsidiaries, and unwavering commitment to product quality

If a company neglects CSR, it will face a management crisis soon. The basis of CSR management in our company is our "1S" culture, which places top priority on the three S's: Shojiki (Sincerity), Seisou (Cleanliness) and Safety. I believe that to ensure strict compliance with laws and regulations as well as internal company guidelines, it is important to create an open and honest corporate atmosphere in which employees can freely express their ideas and opinions (i.e., practice of sincerity). The reason we place importance on cleanliness is because if the workplace is always kept clean, even a tiny drop of oil, i.e. an abnormality, will be noticed easily, leading to improved safety. To instill the 1S culture in our overseas subsidiaries, we created and distributed an English version of the 1S Guidebook to employees of our overseas subsidiaries in fiscal 2011.

We are dedicated and committed to quality, based on the belief that "peace of mind = safety x confidence." Aichi Steel does not merely provide functional components to our customers; it provides peace of mind to end users. Every company member should keep in mind that our products play a part in protecting the safety and lives of end users. Even if our defect rate is only a few tenths of a percent or even one millionth of a percent, to the customer that got the defective unit, our defect rate is 100%.

To gain customer trust and confidence, it is essential to provide a product quality that exceeds our customers' expectations. Based on this belief, we encourage our employees to always keep in mind "Quality Today; Success Tomorrow," which means that today's quality assurance efforts will lead to tomorrow's success. Our employees are also encouraged to see things from the customer's point of view. More specifically, you should put yourself in the customer's shoes and think first who your customer is, and then think what your customer expects you to do. This approach should also be applied when you work in cooperation with other departments within your company. When working in cooperation with other departments, you should think and act paying close attention to the departments involved (i.e. your customers in this case), so that they can perform their tasks

smoothly and efficiently. Such an attitude will lead to successful results.

We are striving to develop one-and-only products that outperform the competition, with a "catch me if you can" spirit. To this end, we are working to create a workplace environment where mutual trust exists between superiors and subordinates and where subordinates respect and admire their superiors for their strong leadership. Developing mutual trust and respect among members will lead to a more productive and safer workplace.

Recognizing that social contribution activities are an essential component of our corporate social responsibility, we have been actively involved in various social contribution activities, including continuous support for the areas affected by the Great East Japan Earthquake, and "Lessons about Iron" for all elementary schools in Tokai City. These efforts have produced excellent results. The Aichi Steel Volunteer Center plays a leading role in promoting volunteer activities among employees. The Center provides information on various volunteer opportunities, conducts awareness-raising programs, and provides counseling services. Our company also supports forest restoration activities in Kiso Village in Nagano Prefecture, in cooperation with an NPO.

Vision Company of Choice

Unwavering commitment to quality

Quality Today Success Tomorrow

Always thinking from the customer's point of view

Who is your customer?

Only one and number one

Catch me if you can

Relationships built on mutual trust

Felt Leadership

Striving to achieve immediate goals under the slogan "Rebuild our business by changing ourselves."

Our priority issues for fiscal 2012 include full-scale operations of the new plant in Thailand, full-scale production at the new No. 3 bloom continuous casting machine (No. 3 CC), and upgrading of the continuous pickling lines for stainless steel. Our immediate goals are to execute all these projects smoothly on schedule without a hitch, and to connect these investments to increased profits. Another important task is to strengthen our tetra-polar production system by organically linking the global chain of Japan, North America, ASEAN and China, while further promoting local procurement in China and the U.S.

We will also strive to enhance employee awareness of safety, which is the foundation of all business activities, while at the same time vigorously promoting Project ZZ100 to establish a corporate structure that can generate an annual profit of 10 billion yen by the end of fiscal 2014. Critical to successful achievement of these goals is, without doubt, the sense of ownership of each individual member of the Company. We must think for ourselves and act on our own initiative, as expressed in our company slogan: Rebuilding our business by changing ourselves. As part of efforts to instill a sense of ownership among employees, a New Business Idea Contest is being held this year (2012) to harvest new business ideas from employees. This contest aims to discover and nurture the seeds of a new business that will shape the future of the Company, by making full use of Aichi Steel's proprietary technologies and extensive know-how that has been accumulated over the years. I am really excited and cannot wait to see what ideas will be spawned by our employees.



Our Activities during the Year Following the Earthquake



Activities during the year following the Earthquake

On March 11, 2011, a massive earthquake struck with its epicenter off the Sanriku coast of the Pacific Ocean. This earthquake, known as the Great East Japan Earthquake, was the most powerful earthquake in Japan's recorded history, with a magnitude of 9.0 and maximum seismic intensity of 7 on the Japanese scale.

Tremors from this devastating earthquake were felt almost all over Japan. The earthquake generated a gigantic tsunami that hits the Pacific coast from Hokkaido to the Kanto region, causing catastrophic damage to the Tohoku region.

Tremors were also felt at our Head Office in Aichi Prefecture (maximum seismic intensity in Aichi was 4 on the Japanese scale), far away from the epicenter. Everyone in the office became tense when the office building started to sway.

The General Affairs Division immediately checked the emergency earthquake warning system* that was installed in 2008, and turned on the TV to collect earthquake information.

(* We set up the system to issue an emergency evacuation warning when the estimated intensity is 5 or greater. So no warning was issued this time.)

The TV screen was showing scenes from the disaster areas one after another, and we gradually came to realize that it was a devastating earthquake on a scale that had never been experienced before in Japan.

In cooperation with the relevant departments, the General Affairs Division contacted all business sites (plants and branch offices) to collect information regarding damage and operational status and the safety of employees including those on business trips. By the evening, it was confirmed that no facilities sustained major damage and that all employees were safe. In the Kanto region, which suffered severe damage from the disaster, our Tokyo Office (seismic intensity was 5) voluntarily put into effect its Safety Confirmation System to check the safety of its employees and their families, and it was confirmed that all employees were safe.

To check the damage situation at our customers, Procurement and Sales Department staff members contacted each customer individually. Since there were some customers whose facilities suffered damage, it took time to grasp the extent of the damage situation for all customers.

What can we do to help the affected areas recover?

Monetary and in-kind donations from the Aichi Steel Group

Seventeen days after the Earthquake, we decided to donate 20 million yen. The donations were sent to the affected areas through NGOs to support the relief and recovery efforts.

The Company and the labor union cooperated in a fundraising campaign to generate cash donations from employees, while encouraging Group companies to participate in fundraising. Several informal groups in the Company (groups consisting of managers, etc.) donated part of the proceeds of their membership dues. In fiscal 2011, donations totaling about 3.3 million yen were given to the affected areas.

(For details, see the list on the right.)

We also provided relief supplies to the affected communities. Through Tokai City government (Aichi Pref.), we sent emergency supplies stockpiled at our offices and plants (food items, antiseptic solution, etc.) to Kamaishi City (Iwate Pref.), a sister city of Tokai City. We also collected daily necessities (clothing, disposable diapers, etc.) from our employees and donated them to disaster victims through Tokai City. Some employees participated as volunteers in sorting donations received from local residents and our company at the Tokai City government.

Our subsidiary Aichi Steel Logistics cooperated in transporting donated relief supplies to the affected areas.



Clothes were donated by employees.

Support activities on an individual basis

Some employees used the Company's welfare leave system* to participate in volunteer activities in the affected areas and engage in various activities to assist the disaster victims.

Through the Aichi Seiko Volunteer Center, we called for participants for disaster-relief activities organized by the Toyota Group Disaster Volunteer Net and by the Workers Unions Federation.

(For details, see the list on the right.)

* A paid-leave system that allows employees to take leave of absence when they are ill or injured, when they are affected by a disaster, or when they engage in volunteer activities.



Employees engaging in volunteer activities at the disaster site

Together with customers and business partners

Facilities at some companies to which we supply steel products were damaged by liquefaction and forced to suspend their operations. The foundations of their warehouses, in which our company's products were stored, had risen or subsided. After it became possible to move products from the warehouses, we took in damaged steel products and inspected them. We issued inspection certificates for the steel products for which no problems were found, and returned the products to respective companies.



■ Support for the steel industry in the affected areas

The steel industry was also greatly affected by the Earthquake. Some steel manufacturers in the Tohoku region were forced to suspend production due to damage to their facilities. From October to November, our company provided production support for affected companies to the extent possible.

■ Support through our business

We also launched a program to directly support the affected areas by providing our products. Huge areas of farmland in the Tohoku region were drenched in seawater from the 3.11 tsunami. In cooperation with an NPO, the "Agriculture-Commerce-Industry Cooperation Support Center," we provided our "TetsuRiki-Agri" (plant growth agent) to some farmers whose fields were flooded to help them restore their damaged fields and grow crops. We also purchased some of the cabbages harvested from the reclaimed farmland and used them for meals served at the company canteen. Cabbages were displayed on the canteen counter with the message: "Meals are cooked using cabbages from reclaimed farmland."

We plan to continue this activity in fiscal 2012 as well.



Harvesting cabbages



Set meal & cabbages

■ Shifting weekly holidays to Thursdays and Fridays during the summer

In the summer of 2011, there were increasing concerns about electricity shortages in the Chubu region. As a member of the Toyota Group, we followed Toyota Motor's example, and from July to September we closed the Head Office and some factories on Thursdays and Fridays and operated on weekends instead to reduce power demand on weekdays.

Even before this, we had taken various energy-saving measures. For instance, to reduce electricity consumption during the daytime peak demand hours, we reduce the operating hours of electric furnaces, which consume large amounts of electricity. In addition to these efforts, by shifting holidays to Thursdays and Fridays, we contributed to decentralizing power consumption.

● Support activities undertaken during fiscal 2011 (including activities in March 2011)

■ Aichi Steel

Monetary Donations	
Monetary donations by the Company	20 million yen
Funds raised by employees	2,760,000 yen
Informal Groups	540,000 yen

Relief Supplies	
Toyota Vitz (7 vehicles)	
Emergency supplies stockpiled at the office (food items, antiseptic solution, etc.)	
Daily necessities (clothes, towels, disposable diapers, etc.)	
Items convertible to cash (ruined postcards, postage stamps, telephone cards, unused mobile phones, etc.)	

Dispatching Volunteers		
Organizer	City to which volunteers were dispatched	Number of participants
Toyota Group	Rikuzentakata City (Iwate Pref.)	6
Japan Federation of Basic Industry Worker's Unions	Kamaishi City (Iwate Pref.)	6
Individual participation	Minamisoma City (Fukushima Pref.) Ishinomaki City (Miyagi Pref.) Higashi Matsushima City (Miyagi Pref.)	7 in total

■ Group Companies

Company	Monetary donations (including funds raised by employees)	Relief supplies
Aiko Service Co., Ltd.	820,000 yen	Flashlights, masks, bottled water, etc.
Aichi Information System Company	1,220,000 yen	
Aichi Ceratec Corporation	420,000 yen	
Aichi Techno Metal Fukaumi Company	310,000 yen	
Aichi Steel Logistics Co., Ltd.	1,200,000 yen	4-ton trucks Transportation of relief supplies
Asdex Corporation	1,290,000 yen	
Aiko Corporation	2,230,000 yen	
Omi Mining Co., Ltd.	1,150,000 yen	
SAFC	650,000 yen	
AFC	130,000 yen	
AIT	110,000 yen	
AFU	640,000 yen	
AFI	310,000 yen	



No. 3 CC overlooking Ise Bay



Spare mill rolls



Backup rolls

Feature Story 2

Toward Establishing a Sustainable Management Environment



Parts storage area



Evacuation gate

● Discussions at the Earthquake Preparedness Committee

In May 2011, we established the Earthquake Preparedness Committee. Based on the experience of the Great East Japan Earthquake, the Committee thoroughly reviewed the expected damage from the massive earthquakes that are predicted to hit the Tokai region, focusing on the damage caused by tremors, tsunami and soil liquefaction. Under the Committee, three subcommittees—Software Safety, Hardware Safety and Production Recovery Subcommittees—were set up to discuss measures to protect human lives, to minimize property damage, and to restore production as quickly as possible.

The Committee also conducted a risk assessment at each workplace to identify risks, and determine and prioritize the measures needed to mitigate the identified risks. The Committee also discussed business continuity-related issues and measures, including supply chain management.

In March 2012, the Committee created a mid- to long-term roadmap for disaster risk management for the period up to fiscal 2015. In accordance with the roadmap, we will implement all planned measures in an effective and systematic manner.

In the event of an earthquake, particularly in the initial phase, ensuring the safety of employees is first and foremost. If a large earthquake strikes the Tokai region, our Head Office, Chita Plant,

Forging Plant and Higashiura Plant, which are situated near the sea, are likely to be affected by any tsunami caused by the earthquake. On the assumption that a massive tsunami will follow the earthquake, we revised our evacuation plans. To ensure that evacuation to high ground can be undertaken in a safe and efficient manner on the premises, where many large buildings and facilities stand, we identified evacuation routes and set up emergency bypass gates to prevent congestion on the evacuation routes. We also designated some places where secondary damage, such as fire, is unlikely to occur as high-ground evacuation sites (secondary evacuation sites). Based on the revised evacuation plans, we conducted a company-wide evacuation drill in September, and confirmed that all employees can evacuate their respective workplaces safely within the given security time, which is calculated based on the estimated tsunami arrival time.

To raise employee awareness of the importance of self-help and mutual aid during and after the disaster, we also created an educational pamphlet and distributed copies to all employees. We have worked to ensure that all employees understand that in the event of a disaster, they should act in the following order of priority: (1) your own and your family's safety, (2) support for your neighbors and communities, and (3) the company's recovery.

● Redevelopment of business continuity management (BCM) plan (Development of business continuity plans and a system for maintaining and improving the plans)

The Great East Japan Earthquake has made us realize the importance of not only implementing disaster prevention measures, but also fulfilling our responsibility for supplying products to customers even during a disaster. To be able to maintain or restore production as soon as possible following a disaster, we are currently working on the redevelopment of our business continuity plans (BCPs), which clearly define priority activities to ensure efficient use of limited resources. We are also working to develop a business continuity management (BCM) system to maintain and improve our BCPs.

The plan is to develop a BCM system with possible major disasters in mind, and to review the current BCPs and make revisions and/or additions to cover other likely situations. We will also work to enhance our BCM to ensure prompt and efficient recovery.

Based on the most likely disaster scenarios, we will determine the expected damage, priority business processes and target recovery

time. We will then determine disaster mitigation and recovery measures to maintain or restore critical operations within the target time. We will also determine detailed procedures for cooperation with suppliers, alternative production at other companies, and backup inventory. Not only the production division, but also administrative and engineering divisions are working to identify and prioritize the critical operations that need to be maintained, and to develop a system that enables an efficient response in an emergency. In addition to these efforts, our company also plans to create manuals and checklists to ensure that all departments and functions within the company perform their priority operations. We will also work to develop individuals who can handle emergency situations efficiently, and to establish a system that monitors the progress of the implementation of BCM. In January 2012, Disaster Prevention Group was established within the General Affairs Division to act as a core organization for implementation of our BCM.

● Backup Action Plans (risk management in normal times to fulfill our responsibility as a supplier)

BCM is concerned with the whole business in the event of a disaster. We need to prepare for unexpected or unusual events other than disasters, because even a slight abnormality that occurs in a certain workplace could affect other operations, or the entire company. To continue critical operations by eliminating abnormal situations quickly or by taking alternative procedures, we are developing backup action plans (BAPs) in the BCM framework. We aim to establish a production system that can respond flexibly to abnormal situations, by determining the course of action to be taken in case of abnormal situations such as equipment failure and system malfunction.

For example, when determining actions to be taken in response to equipment failure, we consider various points, including the following: (1) What difficulties or obstacles are there with alternative

equipment and/or production methods available in the company or at other companies?; (2) How much spare equipment and materials do we need to stock to resume production as soon as possible?; and (3) When there is a need to purchase materials or equipment, how much lead time is needed? And from which suppliers can we procure them?

We are developing plans involving all Aichi Steel Group companies and the entire supply chain. This approach not only helps us identify weaknesses and necessary improvements, but also contributes to developing competent engineers and operators, leading to an increased capacity to supply products to customers.

Toward a Worldwide Enterprise

Toward a much needed worldwide enterprise

Aiming to supply automotive forgings to Japanese automakers that were expanding overseas, Aichi Steel acquired a Filipino forging company in 1995 and established its first overseas production base, "Aichi Forging Company of Asia, Inc. (AFC)."

Since then, Aichi Steel has expanded its overseas forging supply network by setting up additional forging production bases in America (Aichi Forge USA, Inc. (AFU)), Thailand (Aichi International (Thailand) Co., Ltd. (AIT)), China (Shanghai Aichi Forging Co., Ltd. (SAFC)), and Indonesia (Aichi Forging Indonesia (AFI)).

In addition to the above production bases, Aichi Steel set up Aichi Magfine Czech in the Czech Republic as a base for producing our original neodymium bonded magnets, one of our new electromagnetic product lines.

Aichi Steel is also operating sales subsidiaries in Dusseldorf (Germany), Taipei (Taiwan), and Seoul (Korea) to support these overseas production bases by selling their products.



Rapidly globalizing Japanese automobile industry

Automobile production in Japan, which decreased dramatically right after the Lehman Brothers' collapse (2009), has been on a gradual recovery trend in recent years. However, the recent steep appreciation of the yen and fierce market competition (price competition) with overseas automakers are encouraging every Japanese automaker and automotive parts manufacturer to expand their overseas production.

On the other side, the environment surrounding the entire automobile industry is changing remarkably, owing to technological innovation in the mechanics of the car, such as in HVs (hybrids),

PHVs (plug-in hybrids), and EVs (electric vehicles), as well as increasing demand for small and fuel-efficient cars driven by skyrocketing crude oil prices.

Until recently, Aichi Steel has specialized in producing forgings used in comparatively large-sized vehicles (passenger cars and trucks with large displacement engines). We are currently working to establish a production system that can optimally make the products needed by our customers throughout the world while keeping in touch with future demand trends.

The forging industry in the future

After the recovery from the Lehman Brothers' collapse, forgings production in Aichi Steel's forging plants both in Japan and overseas (affiliated companies) have been operating with high load factors to meet relatively high customer demand, though it is undeniable that forging production volume dropped temporarily in 2011 due to the Great East Japan Earthquake and the flooding in Thailand.

We believe that the high worldwide demand for forgings will continue even if the environment surrounding the automobile industry is expected to change in the future as described above.

In June 2011, Aichi Steel commenced the construction of a new plant in Pinthong Industrial Estate in Thailand to relocate AIT from Amata Nakorn Industrial Estate and strengthen the forgings supply network in Asia.

In Amata Nakorn, AIT receives forgings from Aichi Steel's subsidiaries in the Philippines and China, undertakes secondary fabrication and supplies them to automotive parts makers in Thailand. Taking the plant relocation as an opportunity, the new plant will install a forging machine (a 1600 ton forging press in the first stage) to complete the entire process from production to

shipping within Thailand.

The new plant will expand its facilities in response to the future market situation, so as to supply high-quality products that will satisfy customer needs.



AIT's new plant

Magnetic and electronic parts are expected to increase demand.

Demand for Aichi Steel's cold plate, an electronic freezer, is expected to increase as the electrification and electronization of cars advance.

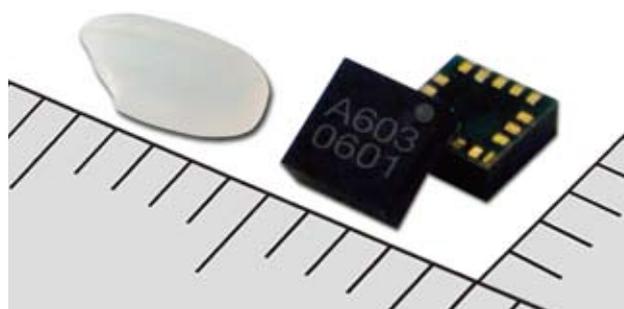
The cold plate is mounted in most present-day cars to protect the electronic control devices from overheating, although the quantity and size of the plates depend on the type of the car. As the number of electric vehicles increases in the future, the quantity of electronic parts mounted in these vehicles will increase dramatically. Demand for Aichi Steel's electronic materials is expected to increase accordingly.

One of Aichi Steel's original electronic products is "MAGFINE," a neodymium bonded magnet. MAGFINE is characterized by its strong magnetic force that allows a reduction in the size and weight of electric motors. Yet another advantage of MAGFINE is that it can accurately and freely be formed to a desired shape.

As a result of strenuous efforts at developing more competitive magnetic particles, the company succeeded in the development of "New MAGFINE Magnetic Powder" and announced the successful development and mass production of the powder in September 2011. With New MAGFINE, it is possible to achieve the same level of magnetic force with 30% less magnetic powder than previously. Only small amounts of MAGFINE are needed to generate large magnetic force. In the recent worldwide efforts to reduce the dependence on rare earths, we will make every effort to have MAGFINE contribute to solving the rare earths problem.

Another electronic device of Aichi Steel is "MI Sensor", the demand for which has been increasing recently with rapid expansion of

the international smartphone market. This market forces many competitors to continuously upgrade their products within the shortest possible period of time. In such a fierce market environment, we will increase the demand for our products by utilizing their high performance and high quality as our advantage.



Size comparison between the AMI 603 and a rice grain

Aichi Steel is aiming to develop unrivaled electromagnetic and electronic products and release them onto the market, thereby developing a new revenue stream.



New Magfine Magnet Powder



Thin-walled magnet

Equipment Investment toward More Eco-Friendly Factory

Further progress beyond 30 years of a leader in a specific industry sector

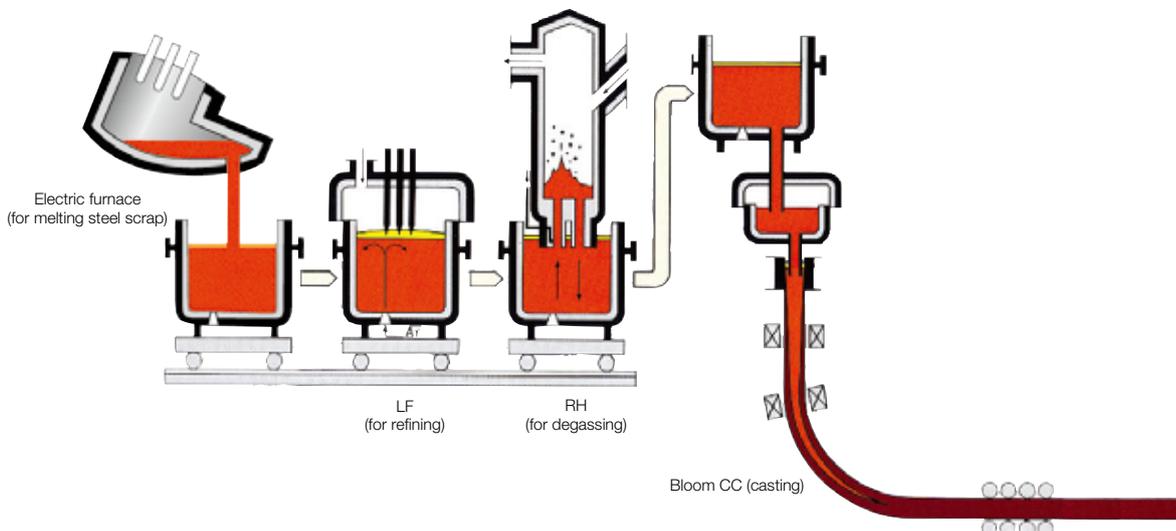
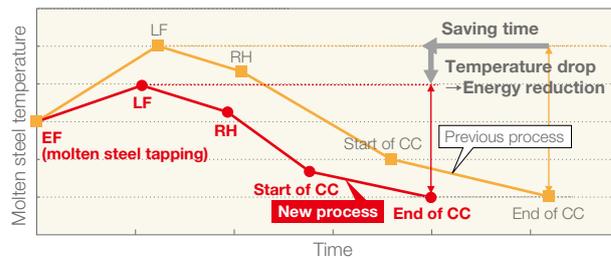
Thirty years ago in 1982, Aichi Steel developed the world's first "combined steelmaking process/technology." Consisting of an electric furnace (EF)¹, a ladle refining furnace (LF)², a vacuum degasser (RH)³, and a continuous casting (CC)⁴ machine, in this order, this process dramatically enhances product quality, production efficiency, and yield rate. Today, manufacturers are required to improve the eco-friendliness

of their equipment in addition to enhancing product quality, reducing product costs, and shortening product delivery period. In an effort to maximize its contribution to environmental preservation, Aichi Steel constructed in 2011 its "No. 3 bloom continuous casting (CC) facility," consisting of the most advanced energy-saving equipment and devices.

Further reduction of environmental loads besides the maintenance and enhancement of product quality

① Drastic reduction of energy loss

Optimally controlling the temperature of molten steel⁵ is an important factor that governs the quality of special steel. Aichi Steel controls the molten steel temperature very minutely throughout the entire process, from the start of melting steel scrap in EF, refining the molten steel, to the end of CC (where cast blooms are made). Due to its low production capacity, the previous No. 1 bloom CC facility caused the ladle to stop and wait for a while after the refining process, consuming undesirably long production time (process time). In particular, the temperature of molten steel in the LF must be raised, which consumes additional energy (electric power). The newly installed No. 3 bloom CC facility has drastically reduced the process time (by 30%) between the tapping of molten steel from the EF and the start of CC, minimizing the time necessary for controlling the temperature of molten steel in the LF to a predetermined level by supplying additional electric power to the LF. The new facility has also reduced the process time (by approximately 50%) between the LF and the start of CC, eliminating the need to maintain the LF temperature at a substantially high level. Thus, the new facility has attained a synergetic power saving effect of 20,000 MWh per year.





② Saving energy by increasing the use of natural light and changing conventional lamps to LED bulbs

The No. 3 bloom CC plant is actively promoting the following energy saving activities:

Indoor brightness is ensured by introducing sunlight through the side walls and ceilings of the plant building. Even in locations requiring electric lighting, conventional lamps have been changed to LED



Bright plant building interior with natural lighting

bulbs. Halogen lamps, mercury lamps, and other lamps that had been used to illuminate the plant floor and consumed vast amounts of electricity, as well as fluorescent lamps used to illuminate the equipment operation room and offices, have been changed to LED lighting systems. These measures save approximately 73,000 kWh of electric power per year.



No. 3 bloom CC facility operation control room

③ Changing exhaust steam blower

A bloom CC facility is usually equipped with a mist (water spray) cooling unit to solidify the molten steel. For the No. 3 bloom CC facility, the chamber for confining the steam from the water that is sprayed over high-temperature blooms was downsized to reduce the capacity of the steam-exhausting blower motor (to one-half of conventional motor capacity).

The motor speed is controlled by an inverter to regulate power consumption in response to the operating condition of the bloom CC facility and thereby reduce the power requirement of the motor. Thus, the mist cooling unit saves approximately 814,000 kWh of electric power per year.

④ Adopting highly efficient transformers

The most advanced transformers are used to supply power to the No. 3 bloom CC facility and associated water-treatment system with the least energy loss. Conversion of the conventional oil-immersed transformers to oil-immersed super-amorphous transformers saves 46,000 kWh per year.

explanatory notes

- *1: Electric furnace: a device for melting steel scrap by an electric arc
- *2: Ladle refining furnace: a furnace for adjusting molten steel composition by adding alloy elements while heating the molten steel
- *3: Vacuum degasser: a device for enhancing steel quality by removing unwanted substances from the molten steel

- *4: Continuous casting facility: a system for cooling molten steel for solidification
- *5: Molten steel: liquid steel made by melting steel scrap.

CSR Management

Basic policy

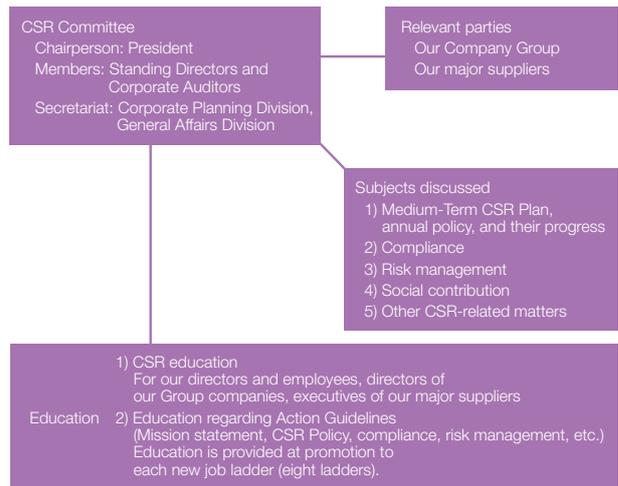
We at Aichi Steel strive to pursue a business that places value on social morality and relations with local communities in order to fulfill our obligations in compliance with laws and regulations, as a good global corporate citizen. We practice CSR management to gain trust from all our stakeholders by establishing the 2015 CSR Vision and implementing the Medium-Term CSR Plan.

CSR guidelines

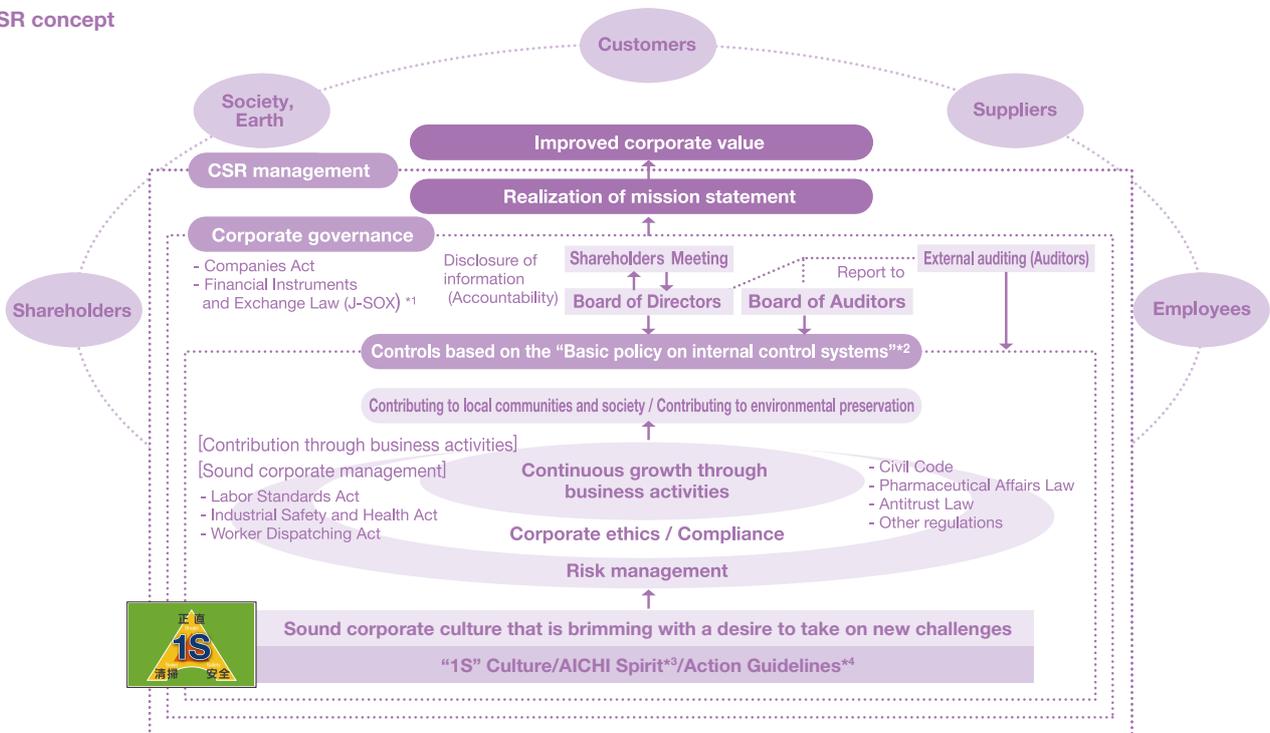
In 2007, we revised the "Aichi Steel Action Guidelines" established in 1998 into the "Aichi Group Action Guidelines," which are practical guidelines that must be followed during global business activities. (See page 1.) The Guidelines have served as a basis for the CSR management of the Aichi Steel Group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

CSR system

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



CSR concept



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

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

■ Medium-Term CSR Plan priority issues and major activities in fiscal 2011

	Priority items	Actions taken for priority issues	Targets	Achievements/challenges	Assessment
Social contribution/business activities	1. Development and provision of products/technologies that can satisfy eco-minded customers	◇ Reinforcing our planning and market search abilities to find new markets for new next-generation products ◇ Developing mass-production technology for new stainless steel products in the energy, environmental and civil engineering markets	Individual action plan	· Project launched at New Business Planning Dept. · Approval for nickel series stainless steel reinforcing bars obtained from the Ministry of Land, Infrastructure, Transport and Tourism.	○
	2. Innovation for environment-conscious manufacturing and contribution through resources recycling	◇ Evolving into a recycling-oriented enterprise by pursuing the 3Rs ◇ Reducing CO ₂ emissions by smoothly starting up No. 3 CC	Slab disposal costs Approval acquisition	· Recycling of crusher-run fluorine-containing slag commenced. · Operation rates enhanced at the early stages by promoting obtainment of approval.	○
	3. Community activities resulting in environmental/social contribution	◇ Providing assistance for reconstruction and recovery from the Great East Japan Earthquake ◇ Planning unique, attractive events and donations ◇ Promoting employees' participation in activities that Social contribution ◇ Expanding a workshop "Lesson about Iron" for children	Continued assistance and support Project proposal System introduction Continued implementation	· Vehicles provided to disaster-affected municipalities, etc. · Joint environmental project launched with Aichi Prefecture. · A system introduced that enables the collection of donations from the payroll. · Lessons held in 12 elementary schools in Tokai City (a letter of appreciation received from Tokai City).	○
	4. Response to globalization	◇ Constructing a forging plant in Thailand to respond to the globalization of customers ◇ Conducting a survey with an eye toward the global expansion of the steel business	Plant construction plan Individual action plan	· The construction of a forging plant started in Thailand. · A survey of steel makers abroad conducted, and their utilization under consideration.	○
Compliance/risk management	5. Diffusion of and strict adherence to CSR Policy among all relevant parties, including suppliers	◇ Promoting activities for diffusion of "1S" ◇ Promoting CSR throughout the supply chain ◇ Promoting dialogues with stakeholders	Increase in the diffusion of CSR Policy Improvement of our reputation from outside of the Company	· A questionnaire survey on "1S" implemented continuously. · The English version of the 1S Guidebook published. · CSR support activities conducted for suppliers (briefing sessions, individual interviews). · A plant tour conducted as part of the general meeting of shareholders.	○
	6. Response to risk factors beyond our control, such as natural disasters and changes in the external environment	◇ Identifying risk areas resulting from potential natural disasters ◇ Developing the basic policy of human life-first BCM (Business Continuity Management) *Added during the year: Floods in Thailand → manifestation of another global risk	Individual action plan Policy introduction in-house	· Activities conducted by a study committee on preventive measures against major earthquakes. · Advice from outside specialists obtained. · Basic BCM Policy devised. → The policy introduced in-house. · Earthquake/tsunami evacuation drills conducted.	○
	7. Response to risk factors controllable by the Company	◇ Reducing compliance risk <Strengthening of the Group's capability risk prevention> ◇ Enhancing the Group's level of control of confidential information ◇ Reconstructing the business base *Added during the year: Establishment of reporting rules *Added during the year: Development of BAP (Backup Action Plan)	Continuing implementation Addition during period Improvement of the level of each Group company Commencement of action Introduction of the rules into the Company Planning report	· 1S study meetings held for managers. · Seminars on compliance held for Group company directors. · Each company's security control level enhanced. · "BRAITs Pro" launched. · Rules established and introduced into the Company. · Studies commenced on a division by division basis.	○
Human resources development/corporate culture	8. Human resources development and creation of motivating worksites to improve job quality	◇ Enhancing education to improve employees' basic capabilities and leadership abilities ◇ Creating a workplace environment that helps employees to feel fulfilled in their job by introducing a diversity management system	Continuing implementation Individual action plan	· Basic abilities of all employees working in administrative departments enhanced through the "A3 Principle" project. · Seminars and workshops held to promote diffusion of the diversity management system among managers. · Career design workshops held to encourage women to play active roles in the Company.	○
	9. Creation of a safe/comfortable workplace environment	◇ Providing safety education, eliminating work not based on procedures, strengthening efforts to prevent the recurrence of accidents, and reducing non-stop operations	Zero serious accidents/accidents resulting in work time losses	· A safety emergency declared in September due to the outbreak of a disaster.	△

■ Progress of the implementation of CSR activities for fiscal 2011 and identification of challenges for the future

Measures to further ensure "safety first"



Strengthening of employees' safety awareness through emergency declaration, measures for preventing accidents, "safety dojo (training hall)" program

Corporate Governance

Basic policy

Upholding the CSR basic policy “We will contribute to the sustainable progress of society and the Earth through our sound corporate activities,” we are striving to establish/maintain an organizational structure capable of responding promptly to changes in the business environment and a fair and transparent management system. By doing so, we hope to gain the trust of our shareholders. We aim to become a company with dignity by sharing the AICHI Spirit, which represents the values and code of conduct for our employees.

Corporate governance guidelines

We have published two types of code of conduct: the “Action Guidebook for Directors” and the “Aichi Steel Employee Action Guidebook.” In fiscal 2010, we reviewed and revised them to match changes in the law. In fiscal 2011, we used these guidebooks to provide training to freshman employees as well as education to other employees at promotions to new job levels.

Internal control system

Whether the Basic Policy for the Internal Control System requires revision is determined every year, and the operation status is reported to the Board of Directors. In fiscal 2011, a regularly scheduled review was made of the basic policy in April, and it was confirmed that our internal control system was functioning properly. Therefore, it was decided to maintain the current basic policy.

Intellectual property protection

In fiscal 2011, there were no complaints or comments concerning intellectual property.

Number of our patent applications in fiscal 2011

	Japan	Overseas
Number of applications	14	11

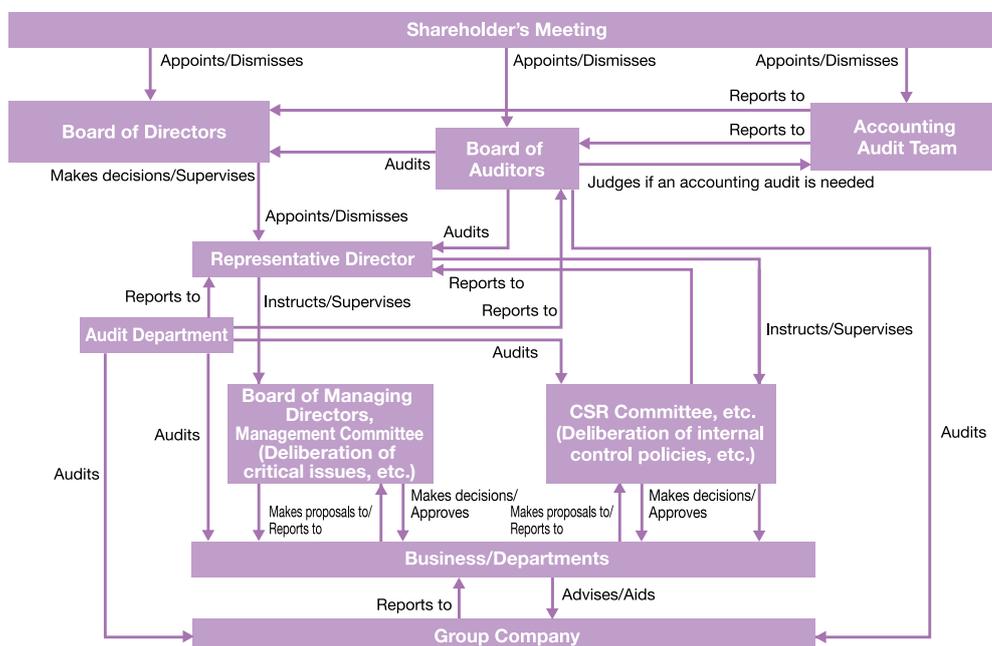
Meetings of the Board of Directors and the Board of Auditors

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

Attendance rates in fiscal 2011

	Meetings	Director attendance rate	Corporate auditor attendance rate	
			Standing corporate auditors	Outside corporate auditors
Board of Directors	13 times	99%	100%	80%
Board of Auditors	9 times		100%	96%

Corporate governance system



Compliance

Basic policy

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

Compliance Guidelines

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

Compliance promotion system



Promotion of CSR activities throughout the supply chain

As part of efforts to support our suppliers' compliance activities, we have developed a CSR program for our supply chain. (See page 25.) In fiscal 2011, CSR seminars and interviews with suppliers were held (in December and February, respectively) to raise their awareness of our CSR policy. We will make continuous efforts to promote CSR throughout our supply chain.

Establishment of the "1S" corporate culture

- ① Publication of an English version of the 1S Guidebook NEW
We prepared an English version of the "1S Guidebook" and distributed copies to overseas subsidiaries in November.
- ② Confirmation of employees' awareness of our "1S" corporate culture
We conducted a questionnaire survey of our employees concerning "1S" in September and February. The findings show that 98% of employees have become aware of the "1S," indicating that we need to raise the awareness of the remaining 2%. Moreover, the survey has found that there is still room for improvement in employees' awareness of compliance. We have decided to implement a program for managers and the remaining employees to ensure their compliance.
- ③ "1S" workshop
In February, we held a workshop for managers to further promote the "1S" corporate culture. Under the theme "principles for actions against antisocial forces," participants learned about the basic rules and matters to keep in mind in their personal lives and work, through concrete examples.

Compliance education program

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

Workshop for each job ladder	299 participants
Seminars for newly appointed directors	September
Compliance workshop for directors	March
CSR lecture	October
1S workshop	February
Aichi Group CSR/TQM Liaison Meeting	September, April (2012)
Compliance Liaison Meeting	4 times (July, October, December, March)
Legal Affairs News	September (2 times), January, February
	Theme: Other companies' cases of violation of laws (6 times) Questions to measure the level of understanding (1 time)

"Compliance Close Call" activities

All Company members were encouraged to report their experiences that were near to compliance violations or predicted risks in fiscal 2011, and a total of 314 cases were reported. These cases were presented as cases requiring caution at the Compliance Liaison Meetings (four times a year), and this information was disseminated by key legal persons to every workplace.

Information security control	Traffic safety	Purchasing	Labor	Safety/environment	Others	Total
109	96	38	1	38	32	314

Operation status of the "Hotto" Line

Aichi Steel "Hotto" Line is a hotline system to encourage internal reporting of improper actions. During fiscal 2011, the "Hotto" Line received six internal reports, fewer than the previous year. We will continue our efforts to enhance the self-correction mechanism by distributing notices about improper action throughout the Company and conducting educational programs to prevent recurrence.

Reported facts are investigated and the necessary measures to correct improper actions are taken. They are also reported to the president.

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

Calls to the "Hotto" Line

Fiscal year	2007	2008	2009	2010	2011
No. of calls	4	5	9	9	6

Basic policy

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

Risk management guidelines

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

Risk management promotion system

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

Lessons learned from the Great East Japan Earthquake NEW

The Great East Japan Earthquake reminded us of the fact that to maintain the continuous operation of a business, protecting the lives of its employees and their families is of paramount importance.

In fiscal 2011, we decided to examine what measures we should take to protect the lives and ensure the physical safety of our employees, and to take such necessary measures.

① Emergency drill (Sept.)

We reviewed traditional emergency drills and conducted a drill on the assumption that tidal waves (tsunamis) might occur. With the protection of life as our top priority, we reviewed the evacuation sites designated by the Company and checked to see how long it would take to move to higher ground (tall solid buildings, hills, etc.) for safety.

② Building of emergency gates

In the emergency drill, newly constructed emergency gates were used.



Emergency drill

③ Review of BCM (Business Continuity Management)

We have undertaken a review of BCM. For details, refer to Feature Story 2 (pages 10 & 11).

④ Introduction of BAP (Back-up Action Plan)

We started to consider the introduction of BAP. For details, refer to Feature Story 2 (pages 10 & 11).

Basic policy

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

Information security guidelines

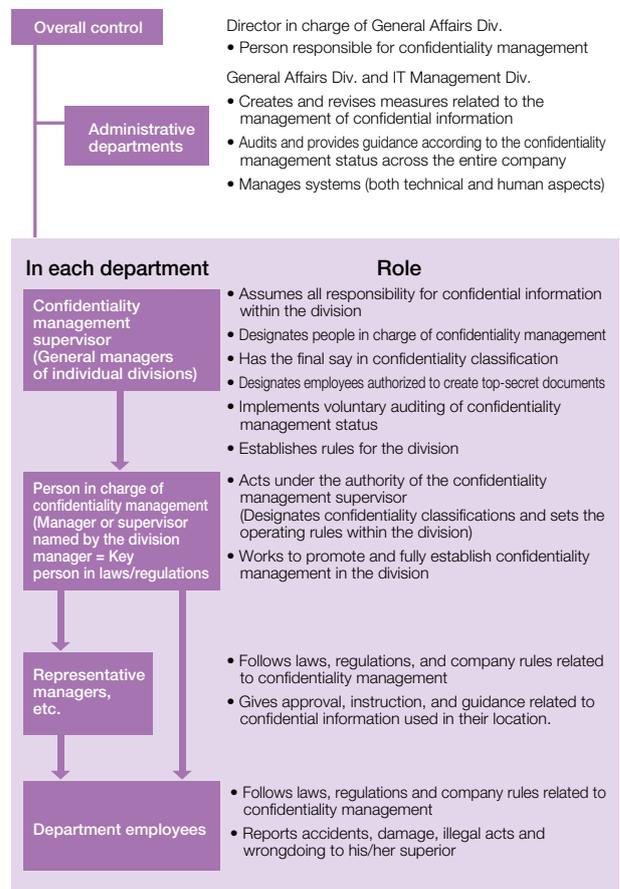
We have established the following rules to control confidentiality and prevent leakages of private information.

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

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

Information security promotion system

Management system and roles of each department



Please refer to our Website

http://www.aichi-steel.co.jp/p_pol.html

□ Auditing of e-mails

The Legal Department conducts an audit of e-mails sent outside of the Company every day. The aim is to prevent the leakage of technical know-how and other confidential information as well as the use of e-mails for private purposes.

Audit findings are carefully handled and strictly controlled by the Department, based on which guidance is given to the person concerned or his/her superior whenever needed.

Information audit results

Auditing of e-mails	Cases detected: 31	Failure to set a password for a file Inclusion of a password in an e-mail message E-mailing to a terminal unit for private use, etc.
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□ Baggage inspection

We have conducted baggage inspections after work to prevent employees from sneaking confidential information out of the Company. The inspection is held several times a month at different times and in different locations. During the all-Toyota information security control enhancement months (May and October), Company-wide inspection is intensively conducted. As the need arises, notification and confirmation have been made of procedures for bringing in and removing confidential information/information devices to and from the Company.



Baggage inspection

Information audit results

Baggage inspection	Cases detected: 14	Incomplete permit application
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□ Education on information security

- Educational programs for each job ladder (for 175 employees)
- Compliance Liaison Meetings
- Presenting cases from both inside and outside the Company to draw attention to important points
- Liaison meetings with domestic group companies

□ Further promoting information security control in domestic group companies

In fiscal 2010, a survey was conducted of our domestic group companies using a self-assessment sheet concerning information security control. Based on the results of the survey, we requested them to make necessary improvements. In fiscal 2011, improvements were made at many group companies.

We will continue to conduct a survey using a self-assessment sheet to further promote information security control.

□ Others

We provide USB memory storage devices to each department/section as a tool for using Company information. All existing USB devices were replaced with new devices with a function enabling the setting of a password and data encryption to further enhance their information security.

The use of such a USB device to take information out of the Company requires approval from the head of the department/section to which the user belongs.



USB devices

To prevent the transmission of viruses, antivirus software has been installed in all the PCs used in the Company. In addition to the full-scanning of PCs on a regular basis, daily management has been conducted using client PC management software.

To protect against security vulnerability, we carry out regular checks of all the data servers used in the Company and conduct batch updates whenever a new version is available.

With Our Customers

Quality Management System (QMS)

<Basic Policy>

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

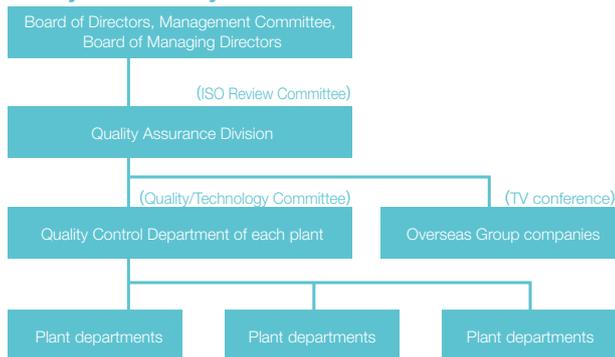
Under our long-term Quality Vision 2015, we will make Company-wide united efforts to establish a quality assurance system that enables us to lead other companies in quality competition.

© Long-term quality vision 2015

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

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

Quality assurance system



Structure change in the Quality Assurance Division

The TQM Promotion Department was newly established within the Quality Assurance Division to enhance the employees' SQC (Statistical Quality Control) ability and promote QCC (QC Circle) activities in the workplace.

Quality assurance activities

In fiscal 2011, there were no reports from our customers of serious quality problems that could lead to a recall of faulty products. Quality losses decreased by approx. 35% from the 2008 result. Based on a review of the results of quality activities and the policies of the Medium-Term Quality Plan 2014, we will promote the actions listed below as our priority issues for fiscal 2012 under the slogan, "Enhancement of the quality of products and work."

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

Quality education/quality lecture

Keeping the question "Who is your customer?" in mind, we promote education on quality for each job ladder and hold lectures on the theme of quality. As part of our "quality enhancement months" activities, we held a lecture meeting in November with Mr. Hitoshi Takeda, Director of SPS Economic Research Institute and titled "Quality in Process", as a speaker to raise our employees' awareness of the importance of "customers (= downstream processes) first."

All-Aichi QC Circle Convention held outside the Company

In February, the "All-Aichi QC Circle Convention" was held outside the Company for the first time at the Workers' Cultural Hall in Chita City. The event, attracting about 900 participants, featured superior case presentation from in-Company and associated business operations, a presentation by the circle that received the gold award at the Nationwide QC Circles Convention, and a panel exhibition for quality improvement cases.



Group-wide quality enhancement activity

As a result of our Group-wide quality enhancement activity, we won two awards from outside the Company in fiscal 2011.



Excellent Quality Performance Award from Toyota Motor Corp.
(Mr. Saito, then AFU president: left in the photo)

Excellent Quality Control Award from Toyota Motor Corp.
(Mr. Shinohara, Asdex president: right in the photo)

□ Our efforts to prove product safety NEW

To testify to our safety compliance, we issue a “certificate of non-toxic substance-containing products” to our customers. In fiscal 2011, there were 292 inquiries from our customers, and we promptly answered them and issued the certificate.

□ ISO quality certification acquisition

① The 14th renewal of ISO certification for steel materials and forgings

As the result of regular assessment of our steel materials and forgings by Japan’s first private ISO examination and registration organization JICQA, we were recommended to continuously register ISO 9001 certification. (September)

② Renewal of ISO certification for electromagnetic products and dental materials

After the drastic reorganization of the electromagnetic products section in January, we received approval for renewal of ISO 9001 for our electromagnetic products and renewal of ISO 13485 for our dental materials from the registered certification body BSI Japan. (February)

ISO certification acquisition

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

Consolidated subsidiaries

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

□ Certification by third-party organizations

In addition to ISO 9001 certification, we have received various third-party labeling certifications for product quality based on our QMS.

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

□ Gathering the opinions of major customers

In fiscal 2011, we are striving to enhance product quality by handling demands from customers one by one and conducting activities to promote customer understanding.

□ Strengthening relationships with our customers

- ① Closer relationships with our customers
We held an event to promote technological exchange with our customers to make customers aware of our efforts and to grasp the needs of customers.
- ② Seminar on stainless steel structural materials at the Kariya Plant
A seminar on stainless steel structural materials and a plant tour were held in January at the Kariya Plant by the Japanese Society of Steel Construction.
- ③ Seminar for Chinese dental practitioners
A seminar for Chinese dental practitioners was held in November at Aichi Steel Corporate Pension Fund House. With dental implants enjoying a growing demand, participants were introduced to dental treatment using dental magnetic attachments called MAGFIT, which are applicable to dental implants.

□ Salesperson training program

In fiscal 2011, we launched a training program for less-experienced young and middle-aged salespersons to improve their sales skills through the three steps of “consciousness raising,” “mind,” and “skills.” The training event was held eight times, and included lectures by directors and visiting lecturers, reports on overseas assignment experiences, and group discussions.



Lecture on how to read the Nikkei newspaper

□ Customer consultation service

We offer a web inquiry form to answer inquiries from customers and provide consultations to them. After receiving an inquiry, the person in charge will contact the customer.

With Our Shareholders/Investors

Basic policy

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

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

Disclosure

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

Information Disclosure Preliminary Review Committee

Chair: Information manager (Director in charge of General Affairs Div.)

Administrative office (General Affairs Div.)

Members:

Managers of functions, including the head office, technical, marketing and production functions, appointed by the Chair; managers of departments from which the disclosed information originates and related departments

Information disclosure

We strive to ensure timely and proper disclosure of our corporate information for investors and to enhance the internal system related to correct and fair information disclosure.

To help deepen understanding of our management and business strategies, we have actively disclosed timely information through various opportunities.

In fiscal 2011, the following events were held.

Shareholders' meeting (June)
Financial results briefing (May, Nov.)
Press release of financial results (Apr., July, Oct., Feb. in Nagoya, Tokyo)

Plant tour for shareholders NEW

The shareholders' meeting for fiscal 2011 held in June was followed by a plant tour for shareholders who wished to join it. After the meeting, some 29 participants toured No. 7 Forging Plant, which is not open to the public.



Plant tour

Aichi Techno Metal Fukaumi participates in exhibition

Aichi Techno Metal Fukaumi took part in the 3rd Processing Technology Expo held at Tokyo Big Sight from February 29 to March 2, 2012. The exhibition booth of our subsidiary attracted many visitors from universities and companies.



With Our Suppliers

Basic policy

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

Aichi Steel Purchasing Policy

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

*Fair and just attitude of selecting suppliers

Purchasing guidelines

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

Supply chain CSR

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

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

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



Supplier diagnosis sheet

Fair transactions

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

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

Green purchasing

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

We have recently promoted green purchasing with special emphasis on the 3Rs (reduction, reuse and recycling) of resources and the reduction of CO₂ emissions.

Please refer to our Website

http://www.aichi-steel.co.jp/over_proc/index.html

With Employees (Labor Safety and Health)

Basic labor safety/health concept

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

Heart: Strong belief and tension to pursue safety

Mind: Careful observation and thorough investigation of true causes

Body: Powerful actions, dedicated efforts

(2) Visualization

Visualization of problems (negative issues, poor conditions)

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

Visualization of standards, changed points, or other status

Basis of activities

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

Development of safety-conscious human resources

Safety observation by the president of Aichi Steel NEW

With the aim of promoting labor safety, we launched a safety observation tour system in August, in which the president visits a section of a plant to watch employees work, together with the head of the section concerned and visitors from other areas/departments.

After their observation, participants are encouraged to come up with ideas to further promote labor safety and adopt any good characteristics they discover from the section they have visited into their departments.

Participants also experience work in accordance with work procedures, and change opinions and views to create a safer work environment, thereby enhancing employees' awareness and understanding of labor safety.



Safety observation by president

Time dedicated to safety management NEW

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

Small group activities

We will continue to conduct a small group activity program for plant workers including in-plant associated business operators, with the aim of developing human resources capable of considering safety seriously and taking appropriate actions (as safety-conscious human resources).

In fiscal 2011, 286 teams were engaged in various activities, such as risk prediction training, education to enhance awareness of the importance of using operation procedure manuals, and the correction of dangerous points.

Education training on labor safety and health

In fiscal 2011, we continued to provide the 4-round Risk-prediction training for young employees, training on the OSHMS* concept and operation for management-level staff, and training and labor safety and health for superintendents. Efforts were also made to foster instructors in order to beef up the content of education to include how to respond to abnormalities.

*OSHMS: Occupational Safety & Health Management System

Establishment of safe operation procedure manuals

We continued to compile operational manuals focusing on the movement lines of operators' eyes, hands and legs, and to promote activities to identify safety issues and create and implement solutions by checking operation procedures in terms of the operator's movement lines. At the same time, we completely eliminated operations that were unaccompanied by manuals. (March)

Creation of safe worksites

We continuously take improvement actions to ensure the creation of safe workplaces, in accordance with the annual plan.

In fiscal 2011, we reduced non-stop operations, crowbar operations, and large hammer operations by 10%, 47%, and 66% respectively. We will devote continuous efforts to completely eliminating these operations.

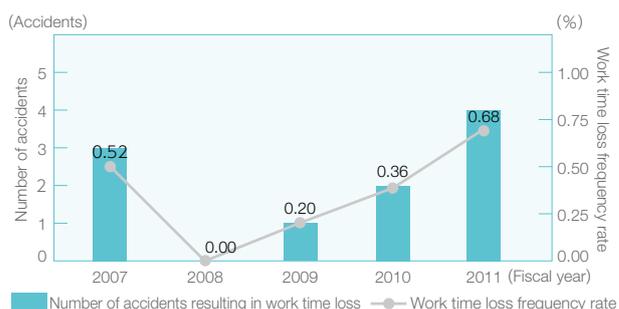
Safety and Health Brush-Up Seminar

The "Safety and Health Brush-Up Seminar" was held for in-plant associated business operators and the Aichi Steel Group, with the aim of preventing the recurrence of accidents resulting in work time losses. In the seminar, participants – divided into four groups depending on the types of danger – confirmed the countermeasures to be taken against past accidents and the status of cross-departmental efforts, as well as making proposals for conducting new activities.

Since there were suggestion for improvement of the countermeasures and further enhancement of employees' awareness of safety, we have decided to continue to hold the seminar in the next fiscal year as well, with new participants and under new themes.

Frequency of accidents and work time losses

Frequency of accidents and work time losses



The number of accidents resulting in work time loss is on the increase. Since the serious accident that took place in 2007,

there have been more than 29 accidents, comprising those both resulting in and not resulting in work time loss. We will further promote our safety efforts to achieve “zero accidents at all workplaces throughout Aichi,” by raising each employee’s awareness of danger and how to carry out task given to him/her.

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

The Japan Iron and Steel Federation staged the 53rd awards ceremony honoring organizations for safe operations, in which the Kariya Plant received an award in recognition of its zero accident record for one year. (February)



□ Call for blood donation

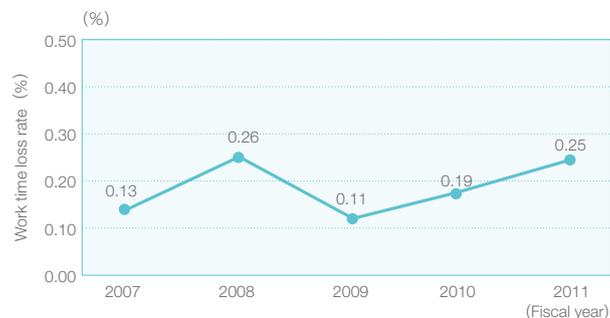
The Aichi Steel Group cooperates with blood donation twice a year (September and March) at the request of the Japanese Red Cross Society and the Japanese Red Cross Aichi Blood Center. In fiscal 2011, 519 employees of the Group donated a total of 181 liters of blood.



□ Mental health

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

Rate of work time loss resulting from mental health problems



□ Walking 800,000 steps in three months NEW

The Aichi Steel Health Insurance Association started the “Aichi Fitness Walking Program” to promote the health of employees. After signing up and registering for the program, participants make up for a lack of regular activity by walking 800,000 steps in three months while enjoying a healthy lifestyle. To help employees form an exercise habit, we have set the three-month fitness walking enhancement period twice a year (beginning in April and October); those who achieve their goal are presented with a small gift.



Fitness walking



Pedometer

□ Traffic safety

An event for improving traffic safety was held by 12 Toyota Group companies at Kariya Highway Oasis in Aichi Prefecture, as part of educational activities to promote traffic safety. (July)

The event provided about 1,300 participants with hands-on experience, with the aim of raising public awareness of the importance of traffic accident prevention.



At the event, participants took part in quizzes about bicycle safety, safety inspections of bicycles, and drink-driving simulations.

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

Basic policy

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

Employment guidelines

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

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

Hiring planning toward creating an appropriate employment system

We decide how many people we recruit each year, considering the total number of employees currently working for the Company and the age composition of our workers.

With approximately 2,400 regular employees at present, we regularly hire about 60 people each year. There were no job applications from students living in the Tohoku region (the northeast of Japan) in fiscal 2011, but we will screen and select applicants in an impartial manner, based on the current situation of the applicants concerned.

Number of recruits

Fiscal year	2008	2009	2010	2011	2012
College	17	21	17	17	22
Technical college	0	1	0	0	0
High school	42	56	36	44	42
Total	59	78	53	61	64

In the regular recruitment for fiscal 2011, we hired one new graduate with foreign citizenship. Including the new recruit, we have now three foreign employees in managerial positions and seven workers assigned to administrative departments. (Those who have obtained Japanese citizenship are included.)

Efforts by overseas subsidiaries

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

Respecting human rights/Prohibition of discrimination

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

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

Human rights workshop

We make continuing efforts to cultivate awareness of the importance of respecting human rights. As part of such efforts in fiscal 2011, we included lectures on human rights in our training sessions for each job ladder (for 7 ladders, a total of 234 participants from freshmen to managers).

Seminar to enhance the awareness of respecting diversity NEW

With Ms. Mariko Kono, CEO of Career Network Inc., as the guest speaker, we held a seminar titled "Sustainable business management and diversity: toward the creation of an innovative corporate culture." (July)

In the seminar, Ms.Kono spoke about the purpose of and basic attitude toward diversity, the characteristics of and problems in Japanese society, and major features of Japanese working women. As challenges to be faced in promoting diversity, she pointed out the need to increase opportunities for women to play a more active role and accumulate experience, as well as the need to provide support for women's career development (especially for the continuation of their working careers after major life events).



Seminar

Efforts to reduce total working hours

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

In labor-management negotiations conducted in fiscal 2011, it was agreed to further reduce total working hours so that each individual can lead a fulfilling life while ensuring a worksite environment where diverse people can work in diverse ways.

□ The Gold Prize awarded at the Nationwide QC Circle Conference

The Nationwide QC Circle Conference was held at Tokyo Big Sight under the auspices of the Union of Japanese Scientists and Engineers (JUSE). At the event, our Fight Circle, which participated in this event for the first time in 15 years, received the “Gold Prize for General Manager.” (Nov.)

In the conference, which is often compared to the national baseball tournament at Koshien Stadium, Japan’s leading QC circles recommended by nine JUSE branches in Japan reported the results of their activities.



□ Diverse management

Under the three-year “diverse management” program, launched as part of efforts to foster a positive working environment in which a diverse range of people can work with vigor and enthusiasm, we conducted the following activities in fiscal 2011.

- ① Lecture meeting for directors and managers (July)
- ② Diversity management workshop for managers (Sept./Oct.)
- ③ Career design workshop for female workers (Nov./Dec.)

In fiscal 2011, in-house newsletters published a series of feature stories on “Diversity Style” to raise employees’ awareness of the importance of diversity.

□ Support for enrichment of workers’ quality of life

We have conducted a wide variety of activities to help our employees enrich their quality of life, including the provision of opportunities for lifelong living plans, learning, and presentations.

“Happy Life” seminar
 “Money Plan” seminar
 The Day of an Aichi Steel Engineer
 Aichi Steel Engineering Lecture Meeting
 Aichi technology exhibition

□ Labor data

Labor composition

Fiscal year	2007	2008	2009	2010	2011
Total workers (persons)	2,328	2,331	2,330	2,360	2,367
Managers (persons)	247	253	263	269	268
Male (persons)	2,224	2,227	2,221	2,244	2,243
Female (persons)	104	104	109	116	124
Foreign workers (female) (persons)	7(3)	9(3)	9(3)	9(3)	10(3)
Average age (years)	39.3	39.4	39.5	39.7	39.9
Average service (years)	19.3	19.8	20.0	20.1	20.3
Turnover rate (%)	0.8	0.8	0.3	0.3	0.8
Voluntary resignation for personal reason (persons)	18	17	10	8	10
New graduates employed (female) (persons)	57(2)	59(0)	78(5)	53(3)	61(5)

Users of the Nice Family System

Fiscal year	2007	2008	2009	2010	2011
Child care leave (male) (persons)	8	8	11	4(1)	5
Shorter work hours (male) (persons)	13	7	6	10(1)	5

Number of persons who started using the system in each year

Registrants to the Nice Senior System

Fiscal year	2007	2008	2009	2010	2011
Nice Seniors (persons)	50	69	55	51	49

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

Employment of persons with disabilities

Fiscal year	2007	2008	2009	2010	2011
Employees with disabilities (persons)	30	29	34	35	40
Employment rate (%)	1.6	1.5	1.8	1.6	1.8
Achievement status of the legal employment rate (%)	88.2	85.3	100	92.1	100

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

Usage rate of annual paid vacations

Fiscal year	2007	2008	2009	2010	2011
Usage rate (%)	48.0	69.0	54.0	46.0	48.5

Usage rate against the standard 20 days granted

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

Fiscal year	2007	2008	2009	2010	2011
Hours	2,171	2,190	1,973	1,948	2,124

With Community and Society

Basic policy

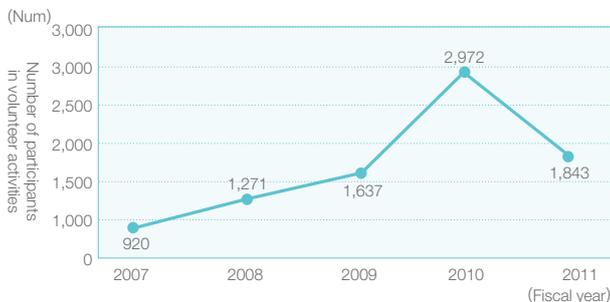
Social contribution policy

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

Promotion system

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

Number of participants in volunteer activities



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

“One-coin” donation NEW

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

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

A total of 240 directors and employees who supported the program’s purpose have participated in this donation program (as of March 31, 2012).



Cooperation in sports exchange for children living in Kamaishi, a disaster area of Iwate Prefecture NEW

Together with the J-League’s Nagoya Grampus, for which we have provided financial support, we cooperated in a sports exchange program between our city of Tokai and Kamaishi City (Iwate Pref.), with which Tokai City has a sister city relationship. Under the program, Tokai City invited elementary and junior high school students living in Kamaishi, a city affected by the Great East Japan Earthquake, to watch a soccer game held in Toyota Stadium (Toyota City) and join a soccer clinic provided by two players from Nagoya Grampus. (Nov.)



Clean

Voluntary cleaning by Track-and-Field Club NEW

Track-and-field club members of Aichi Steel, Aisan Industry, and Toenec voluntarily cleaned Chita City’s local streets (Aichi Pref.), which are used as part of their training field. From Aichi Steel Track-and-Field Club, 16 members (the manager, the coach and some athletes) participated in the voluntary cleanup activity. (April) This activity was conducted as a token of appreciation for the local community, which allows us to use the road as a training field, and in order to help raise the environmental awareness of road users (local residents and companies).



<Ongoing voluntary activities>

Nishi-Chita Industrial road clean-up campaign

The Nishi-Chita Industrial Road clean-up campaign is held every two months. In fiscal 2011, the campaign was conducted seven times with the participation of a total of 308 people.



Green

Planting flowers in front of Meitetsu Shurakuen Station

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

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

Clean Aichi Day

In line with the Aichi Steel Group CSR Enhancement Month in October, we conducted the “Clean Aichi Day” program, in which a total of 728 people, including employees from our subsidiaries in Japan and abroad, cleaned the neighborhoods of their worksites.



Headquarters neighborhood



Tokyo Branch



Osaka Branch



Fukuoka Sales Office



Aiko Corp.



AFI



AFC

With Community and Society

□ Creative

Expanded “Lesson about Iron” NEW

In, 2010, we launched a project to visit local schools to give a “lesson about iron” to children, marking the 70th anniversary of our founding. In FY 2011, the lesson was provided to all the elementary schools (33 classes of 12 schools) in Tokai City, Aichi Prefecture. (Nov./Jan.)

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



At the request of Tokai City, we also conducted a “lesson about iron” at a joint summer festival (titled “2011 Summer Festival in Centrair: Regional products fair”) held in Chubu International Airport (nicknamed “Centrair”: Tokoname City) by five cities and five towns. (July)

Moreover, our “lesson about iron” was conducted as part of the Weekend Workshop, an event held every Saturday for local elementary students by Toyota Commemorative Museum of Industry and Technology (Nagoya City). (Oct.)



A “lesson about iron” at Centrair

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

□ Volunteer

Volunteer work to assist victims of the Great East Japan Earthquake NEW

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

From the Aichi Steel Group, 130 employees worked together and collected 138 disused cellular phones, 2,444 spoiled postcards, postage stamps worth ¥13,000, prepaid phone cards worth ¥70,500, and Bellmarks worth 5,547.1 points.

Activities of the Aichi Steel Volunteer Fund

In fiscal 2011, the Aichi Steel Volunteer Fund established in 1993 donated charity gifts worth about 2.4 million yen, including those contributed through our Matching Gifts Program, under which we donate an amount equal to the amount already collected for the Volunteer Fund.

Charity Gifts and Donation Organizations (Fiscal 2011)

Organization	Charity gifts
“Oumei” four performance groups	Audio equipment set
Tokai Social Welfare Council (Volunteer Center)	100 sport bibs
Tokai Disaster Prevention Volunteer Net	Projector
NPO “Gakudo Hoiku Zarigani Club”	Set of building blocks
“Satsuki” Social Welfare Organization	Three digital TV sets
“Akatsuki Gakuen” Children’s Foster Home	Home electric appliances (10 units)
Boy Scout Tokai (4 groups)	Storage shed
Tokai City Mini-basket Club	Sport bibs
Chita Social Welfare Organization	Tents for events
“Kusunoki” Workshop for the Handicapped	Flame resistant noren (curtains) and printers
Japan Blind Tennis Federation	Tennis balls for blind tennis
NPO “Daikon-no-Hana”	Document cases, chairs
Welfare and rescue volunteer “Kodama”	Electric generators and AED training kits
NPO “Oyako-no-Hiroba Andante”	Play equipment
Boy’s judo club	Uniforms for competition
Karate club	Kick mitts
Basketball club	Basketballs

□ Ongoing volunteer activities by Aichi Steel

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

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

Samuel Ndungu wins his first victory in the first marathon race in his life

Samuel Ndungu, an athlete of Aichi Steel Track-and-Field Club, won the 67th Annual Lake Biwa Mainichi Marathon Race held on March 4 (Sun). This was his first attempt to participate in a marathon race. In the previous year, he participated in the event as a rabbit (pacemaker). Making use of his experience as a rabbit, he was in the leading pack of runners and raced well in the cold rain even after the 25-kilometer point, where the pacemaker usually separates from the leading group. Despite the bad weather, he crossed the goal with a time of 2:07:04, the second fastest time in the all-time list for this marathon event.



Samuel Ndungu interviewed by local cable TV

□ Stakeholder dialogue

Chairman of Aichi Steel speaks at Tokai Police Station

At the request of the police, Shokichi Yasukawa, Chairman of Aichi Steel visited Tokai Police Station (Aichi Pref.) to speak to police officers about fostering human resources and leaders as well as expectations about the roles played by police officers. He was invited to speak from the Tokai Police Station, as part of its educational program to raise the morale and work-related capabilities of police officers. After his talk, Yasukawa exchanged views and opinions with the chief of the police station and shared the same view regarding organizational operation and human resources development. They also promised to work together to promote traffic safety and the prevention of crime in the local community.(Feb.)



Executive Office of Aichi Steel gives a seminar presentation

A Business Innovations Seminar for manufacturers was held in October at Aichi Steel under the auspices of the Tokai Chamber of Commerce and Industry, in which 14 people participated from Tokai City's commerce and industry association member companies.

Sadamu Sakamoto, Executive Officer of Aichi Steel, gave a presentation about the trends in the automobile industry and Aichi Steel's policy on how to respond to such trends. After his presentation, participants visited our forging technology museum and No. 7 Forging Plant, increasing mutual understanding.

Community Meeting

Due to the Great East Japan Earthquake, we changed the schedule for the community meeting, which is usually held every autumn. In March 2011, we held a meeting to enhance communication with people living in the neighborhood of our head office.



Environmental Policy

Basic approach

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

Please refer to our Website

http://www.aichi-steel.co.jp/ENGLISH/com_info/envi.html

Environmental Guidelines

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

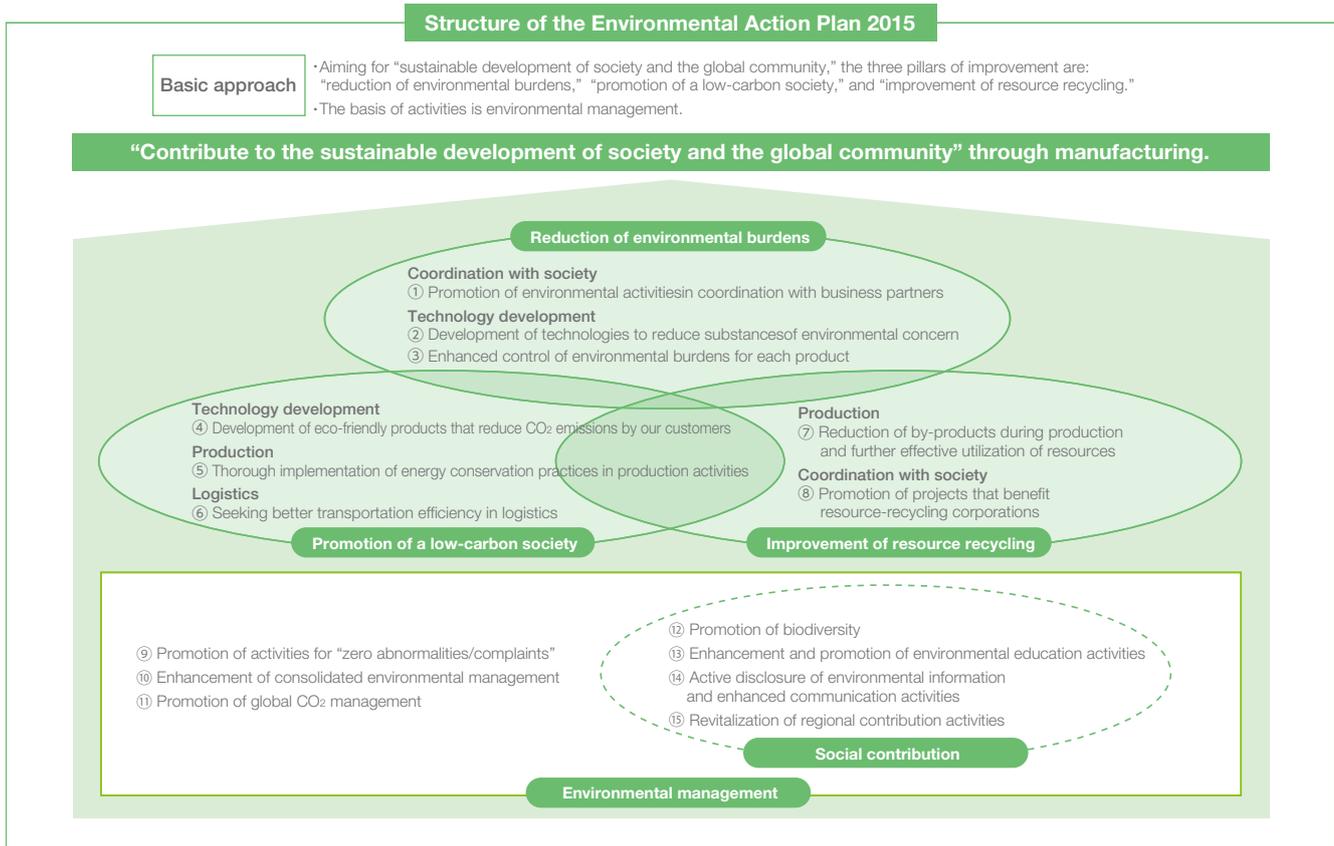
Environmental Action Plan 2015

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

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

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

Environmental Action Plan 2015



Environmental Action Plan 2015 – Action Items and Results

Theme	Action item	Target(s)	Major efforts	Results	Results		
Three Pillars	Reduction of environmental burdens	① Promotion of environmental activities in coordination with business partners	-	•Promote and adopt proposals for green purchasing. (Promotion and adoption of CO ₂ reduction/3R proposals)	•3R activities implemented(Promoting introduction of roll recycling, biodiesel fuels, etc.) •32 green purchasing cases were presented at VA Exhibition.	△	
		② Development of technologies to reduce substances of environmental concern		•Promote environment-related themes in the medium-term plan for engineering departments.	•Follow-up actions were taken for technologies to reduce substances of environmental concern under the medium-term plan themes.	○	
		③ Enhanced control of environmental burdens for each product		•Establish systems to control chemical substances.	•In renewal of the procurement system, a function was added to prevent the purchase unregistered substances of environmental concern.	△	
		④ Development of eco-friendly products that reduce CO ₂ emissions by our customers		•Implement simplified calculation of the energy-saving effects (CO ₂ emissions reduction) of products using an accounting system.	•Verification of simplified estimates of energy burdens and system effectiveness are under way.	○	
	Promotion of a low-carbon society	⑤ Thorough implementation of energy conservation practices in production activities	10% reduction of total CO ₂ emissions in 2012* from the 1990 level *2008-2012 average, according to the Japan Iron and Steel Federation's voluntary action plan	•Continue Z100 theme. •Prepare/implement the "collection within 3 years" theme. •Energy conservation patrol and proposals for improvement		○	
		⑥ Seeking better transportation efficiency in logistics	6% reduction of emission volume per transportation unit in 2012 from the 2006 level	•Improve loading ratio for shipment of forgings. •Consider a modal shift to balance cost reduction and CO ₂ reduction.		× *1	
	Improvement of resource recycling	⑦ Reduction of by-products during production and further effective utilization of resources	Landfill volume in correspondence with fluorine-containing slag regulations in 2012 ≤ 21,600 t/year	•Reduce landfill volume by implementation of thorough separation. •Outsource recycling of newly generated slag. (Recycled crushed stone for landscape restoration) •Promote in-house recycling.		○	
		⑧ Promotion of projects that benefit resource-recycling corporations	-	•Develop technologies to collect valuable metals (dust, pickled sludge). •Improve the reuse rate of reduced slag.			
	Environmental management	Social contribution	⑨ Promotion of activities for "zero abnormalities/complaints"	Abnormalities/complaints: 0/year	•Implement strict management to achieve 80% or below of regulation values set by environment-related laws. •Ensure steady implementation of daily inspections on important facilities and compliance with work standards.	•Environmental abnormalities: 1 case	× *2
			⑩ Enhancement of consolidated environmental management	-	•Promote on-site monitoring through Brush-Up Seminars. •Require non-manufacturing consolidated subsidiaries to report on their environmental activities.	•Mutual brush-up seminars were held and standardized for domestic manufacturing companies.	○
⑪ Promotion of global CO ₂ management			-	•Require all group subsidiaries to report their energy consumption volume.	•Rectify difficulties in obtaining reports on overseas group companies' offices.	× *3	
Social contribution		⑫ Promotion of biodiversity	-	•Participate in NPO-led forest preservation activities and Tokai City forestation project.	•Participated in NPO-led forest preservation activities. (June, Sep.)	○	
		⑬ Enhancement and promotion of environmental education activities	-	•Enhance classified education programs. •Improve environmental awareness using handbooks, etc., and select education themes.	•Classified education continued and internal auditors increased. •"Compliance with Environment-Related Laws" handbook was published.	○	
		⑭ Active disclosure of environmental information and enhanced communication activities	-	•Demonstrate environmental contributions through participation in Messe Nagoya, Industrial Festival, etc. •Make the Aichi Steel Report available on the Web. •Hold media meetings, Head Office area meetings, and Kariya regional meetings.	•Participated in Automotive Engineering Exposition. (May) •Japanese version of Aichi Steel Report was issued in Aug., put up on the website in Sep.	○	
		⑮ Revitalization of regional contribution activities	-	•Increase participants in Clean Aichi Day. •Demonstrate environmental activities through in-house publications and News a la carte.	•Community cleaning was conducted on industrial roads and prefectural roads. •Environment-related information was provided through in-house publications and News a la carte.	○	

*1: Although the improvement target was achieved by implementing various measures, per transportation unit performance worsened because of increased transportation distance due to the impact of the great earthquake. We will seek optimal logistics for each transportation area and streamline operations, so as to improve the entire performance.

*2: Due to insufficient control of an oil-water separator tank, oily water was discharged from the rainwater outlet. Placing high priority on improving abilities to spot dangers and organizing procedures for controlling causes of environmental abnormalities, we aim to achieve zero abnormalities/complaints. (See p. 36)

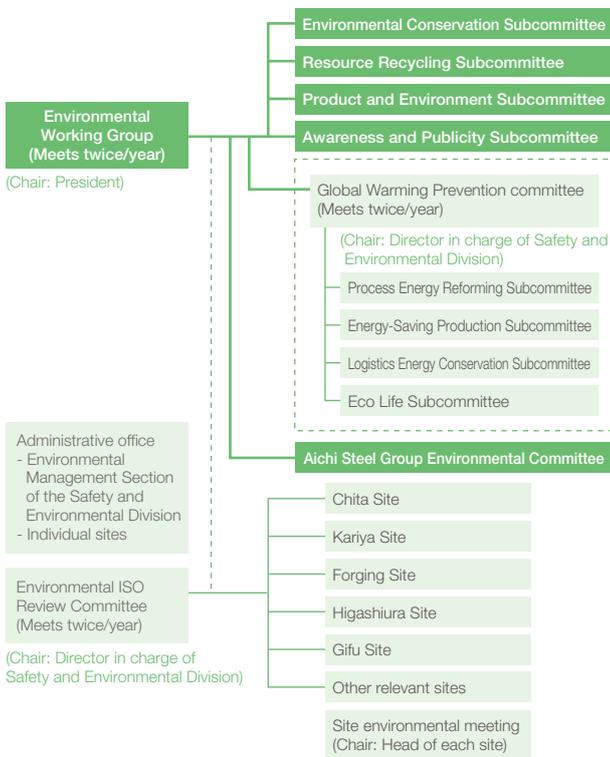
*3: Some overseas offices could not measure their electricity consumption. We will consider other measures.

Environmental Management

System for environmental management promotion

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

Environmental management promotion organizations (FY2011)



Environmental abnormality (oil spill)

We had some oily water (1 liter, converted to oil volume) discharged at Nagoya Port from our rainwater outlet in January. This accident was caused by insufficient control of the oil-water separator tank. The tank structure has now been modified to prevent recurrence. We will take measures at all facilities with a similar structure and tighten their control to prevent recurrence. Since we voluntarily notified the government authority of this problem and took immediate counteractions, no punishment was imposed.

Certification status of Environmental ISO

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

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

ISO certification status

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

Environmental conservation costs

Unit: Million yen

Classification	Major efforts	Amount
Environmental conservation costs necessary for controlling environmental burdens arising within our operational areas from production or service activities (Operational area costs)	Power for dust collectors/repair costs for dust collectors, wastewater treatment costs, investment and maintenance of energy-saving facilities, costs of disposal and recycling of industrial waste and general waste discharged from business operations	3,803
Costs necessary for controlling environmental burdens arising upstream or downstream of our operational areas in connection with production or service activities (Upstream/downstream costs)	Simplified packaging (reducing packing materials and reducing packing time)	0
Environmental conservation costs arising from our administrative activities (Administrative costs)	Costs for employee environmental education, and costs necessary to acquire and maintain ISO certification Labor costs and related costs of environmental action organizations	368
Environmental conservation costs arising from our R&D activities (R&D costs)	Research costs for environmental conservation	27
Environmental conservation costs arising from our social-relation activities (Social-relation costs)	Site greening and industrial road cleaning activities	24
		Total 4,222

□ Publishing a handbook to promote compliance with environment-related laws NEW

There are many environment-related laws and regulations that a company must observe in conducting its business activities.

Aichi Steel positions in its Environmental Charter its basic policy of “strict adherence to environmental regulations, and voluntary management and auditing to improve the level of environmental management, in all activities.”

To ensure thorough implementation of compliance activities, in November the Company published the “Compliance with Environment-Related Laws” handbook.



□ Disclosure of information concerning maintenance/management of industrial waste landfills NEW

In response to the requirement by the revised Waste Disposal and Public Cleansing Act to disclose the management status of industrial waste landfills, the Company decided in March, as a result of internal discussions, to disclose relevant information on its website and make it available for stakeholders.

Data for FY2011 is now disclosed. From FY2012, results of monthly inspections will also be available.



□ Please refer to our Website

http://www.aichi-steel.co.jp/envi_rep/envi.html

□ Environmental education

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

Environmental training

- For freshmen in administrative departments(April: 19 participants)
- Assistant Managers(June: 27 participants)
- Newly-promoted Foremen(May: 23 participants)

Environmental law education

We invited an outside lecturer (from Miyama, Inc.) to speak on the revised Water Pollution Control Act mainly for staff members of sections supervising facility planning and plants. (October: 22 participants)

Educating internal environmental auditors

FY2011 saw the certification of 24 new internal environmental auditors who support the efficient operation of the environmental management system, making a total of 200. We also conduct internal environmental auditor education for those scheduled for overseas dispatch on an as-needed basis.

□ Audit results

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

Results of internal audits

Classification	2007	2008	2009	2010	2011
Material non-conformance (incidents)	0	0	0	0	0
Minor non-conformance (incidents/dept)	0.7	0.7	0.7	0.6	0.5

Results of audits by external auditors

Classification	2007	2008	2009	2010	2011
Minor non-conformance (incidents)	1	1	1	0	1
Opportunities for improvement and incidents of other classification (incidents/dept)	12 (0.3)	20 (1.0)	31 (0.8)	14 (0.6)	23 (0.5)

Global Warming Prevention

■ FY2011 targets and results

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

In FY2011, despite the effects of improvement efforts at plants, emissions increased due to production increase (approx. 3%) and the worsened operating environment affected by the great earthquake.

Item	FY2011 target	Result
CO ₂ emissions	600,000 t-CO ₂ /year	616,000 t-CO ₂ /year

■ Scope of CO₂ emissions and criteria

The scope of CO₂ emissions volume is the “energy-origin CO₂” for the entire Company (plants, Head Office, branches, sales offices), and the amount of energy consumption is based on the Energy Consumption Status Report submitted regularly to the Ministry of Economy, Trade and Industry. The CO₂ emission coefficient is based on the Japan Iron and Steel Federation Voluntary Action Plan.

■ Introducing BDF (biodiesel fuel) NEW

Use of BDF began at a filling station newly established inside the Chita Plant. BDF is a plant-based fuel and said to be carbon-neutral (CO₂ generated from plant-based fuels burned are absorbed by the plant).

Operation started in April 2012, and BDF will be phased in for vehicles used inside the plant.



■ Eco-factory

Construction of eco-friendly No. 3 continuous casting machine (No. 3 CC), our largest-scale machine update in 30 years, was completed in June.

* For more details, see Feature Story 4 (pp. 14, 15).

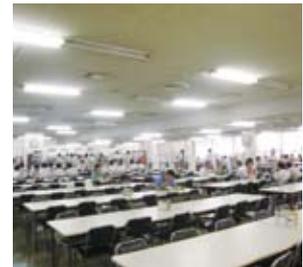
■ Energy conservation in offices

We have promoted energy conservation activities in our offices since 2008. In FY2011, the following activities were conducted.

- ① Summer/winter measures to reduce electricity consumption
 - Putting heat-shield films on windows
 - Replacing air-conditioners with energy-saving types (2 units)
 - Putting heat-shield sheets on the roof of the general forging office building: Photo ①
 - Promoting Cool Biz. (Temperature set to 28°C)
 - Promoting Warm Biz. (Temperature set 20°C → 19°C)
 - Replacing lighting with LEDs or other energy-saving lights
 - Thinning of lighting: Photo ②
 - Promoting eco-settings for PCs.
- ② Making electricity use visible
 - Company-wide disclosure of electricity consumption (system completed, disclosure not yet implemented)
 - Separately measuring electricity use of experiment facilities and offices
 - Encouraging energy saving using power-saving eco-timers
- ③ Other
 - Energy conservation patrol (June, February)
 - Proposing Mottainai Card (February)
 - In-house publications for Environment Month (June) and Energy Conservation Month (February)
 - Introducing heat-pump vending machines: Photo ③



①



②



③



Energy conservation in offices

As a result of various efforts to promote energy conservation in offices, our initial target of 20% reduction from the FY2007 level was achieved in FY2010. We therefore reviewed the target for further improvement.

Encouraging Cool Biz/Warm Biz

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

Under the Warm Biz campaign, heater temperature settings were lowered from 20°C to 19°C.



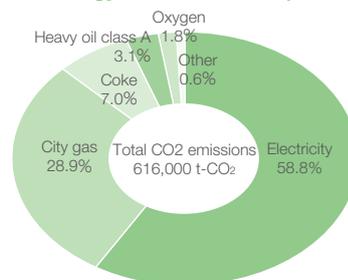
CO₂ emissions



CO₂ emissions from administrative divisions



Breakdown of energy used in FY2011 (CO₂ emissions)



CO₂ balance

FY2010 emissions	600,000 t-CO ₂ /year
FY2011 emissions	616,000 t-CO ₂ /year
Difference	▲ 16,000 t-CO ₂ /year

Breakdown

Increase due to greater production	▲ 1,000 t-CO ₂ /year
Improvements (A) – Aggravations (B)	▲ 15,000 t-CO ₂ /year
Total	▲ 16,000 t-CO ₂ /year

Improvements (A)

① Improved energy efficiency of electric furnaces	7,000 t-CO ₂ /year
② Energy conservation of hot rolling furnaces	2,000 t-CO ₂ /year
③ Loss reduction in induction heating forging furnaces	1,000 t-CO ₂ /year
④ Loss reduction through higher yield rate	1,000 t-CO ₂ /year
Total	11,000 t-CO ₂ /year

Aggravations (B)

① Impact of the great earthquake	26,000 t-CO ₂ /year
Total	26,000 t-CO ₂ /year

Energy conservation activities at SAFC NEW

Shanghai Aichi Forging Co, Ltd. (SAFC) launched in 2009 an energy conservation project of collecting and using the heat generated in the production of compressed air by compressors to heat water for employee showers.

The system for this project was completed in May, contributing greatly to CO₂ reduction in utilities.

Enhanced efforts will be made to further save energy.



Basic approach

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

FY2011 targets and results

Although the volume of direct landfill increased due to the revision of Aichi Prefecture guidelines in FY2008, we were able to achieve the target by finding suitable methods and using slag recycling.

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

Item	FY2011 target	Result
Direct landfill	30,420 t/year	14,812 t/year
Indirect landfill	1,739 t/year	2,442 t/year

Addressing global environmental issues

Rare earth resources have been becoming a crucial global issue along with technology advancements. In 2010 Aichi Steel developed heat-resistant magnetic powder for neodymium (Nd) magnets that can be used at high temperatures without the use of dysprosium (Dy), and started mass production last year.

Further efforts made to achieve higher energy efficiency have enabled 30% weight reduction while maintaining equal coercive force.

MAGFINE, with high future potential

Our MAGFINE magnet is made by injection molding using resin as an adhesive.

After being used in motors and compressors, the adhesive can be dissolved and magnetic powder can be collected.

This magnetic powder can then be reprocessed, enabling recycling without the need of adding new rare earth materials.



MAGFINE magnetic powder

Slag recycling

As a result of discussions on methods of recycling fluorine-containing waste (slag), it was decided to recycle the slag as crushed stone for landscape restoration. This enabled us to substantially reduce the volume of directly landfilled waste. From FY2012, we will promote the use of this recycled slag for potential users.

Display booth made of corrugated cardboard

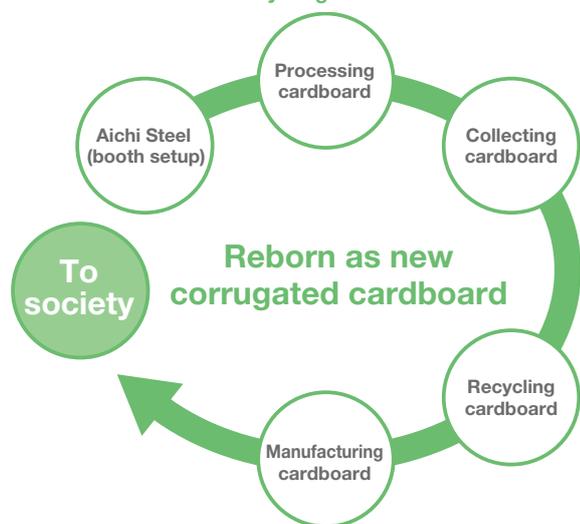
Aichi Steel participated in Messe Nagoya 2011, an event commenced in 2006 to communicate the Aichi Expo's philosophy of "environment, science & technology, and international exchange."

We set up a display booth made of corrugated cardboard instead of the conventional wooden booth, the first attempt in the Tokai region, to make it 100% recyclable.

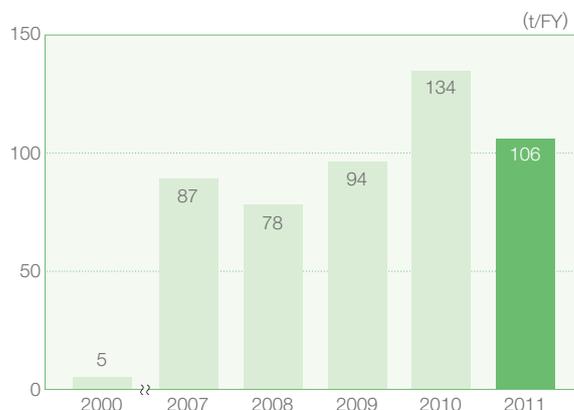


Sample of corrugated cardboard wall

Reinforced cardboard recycling flow



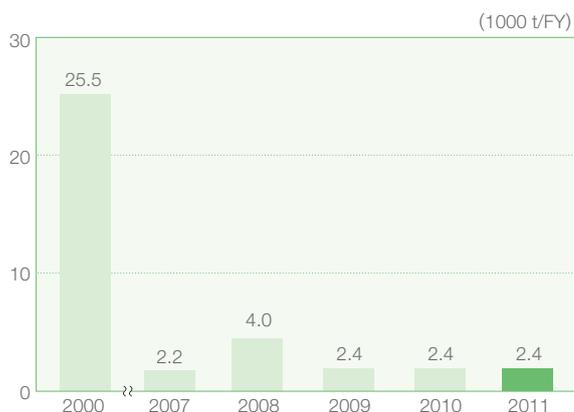
Volume of recycled nickel



Volume of direct landfilled waste



Volume of indirect landfilled waste



Letter of appreciation from Aichi Prefectural Governor NEW

In line with COP 10 held in 2010, we provided support for biodiversity preservation as an Aichi-Nagoya COP 10 supporting company. Our TetsuRiki-Agri/Aqua product series proposed as a COP 10 unique project for improvement of the global environment was introduced in Central Japan, a magazine published by the Chubu Economic Federation.

Our Chita Plant, making continuous efforts to promote conservation of ecological networks (protecting green spaces and creating an environment friendly to living things), received a letter of appreciation from the Governor of Aichi Prefecture. (February)
Aichi Steel will keep the philosophy of COP 10 and hand it over to the following generations.



Continuing support for Afan Woodland Trust's forest restoration

The Company decided to continue support for the C.W. Nicol Afan Woodland Trust, a foundation engaged in activities to restore the ecosystem of rich woodlands in the town of Shinano (Nagano Prefecture) and pass it on to future generations. (March)

Forestation in Toyota City by the Toyota Group NEW

The All-Toyota Forestation Experience event hosted by the All-Toyota Social Contribution Activities Liaison Committee was held in Toyota City (Aichi Prefecture). Along with members of other Toyota Group companies, 14 members of the Aichi Steel Group participated in the event and experienced cutting trees to improve the environment. (October)

We hope our support for efforts to improve the environment and preserve the biodiversity of forests and satoyama (managed woodlands near human settlements) will lead to cultivation of the greenery around us.

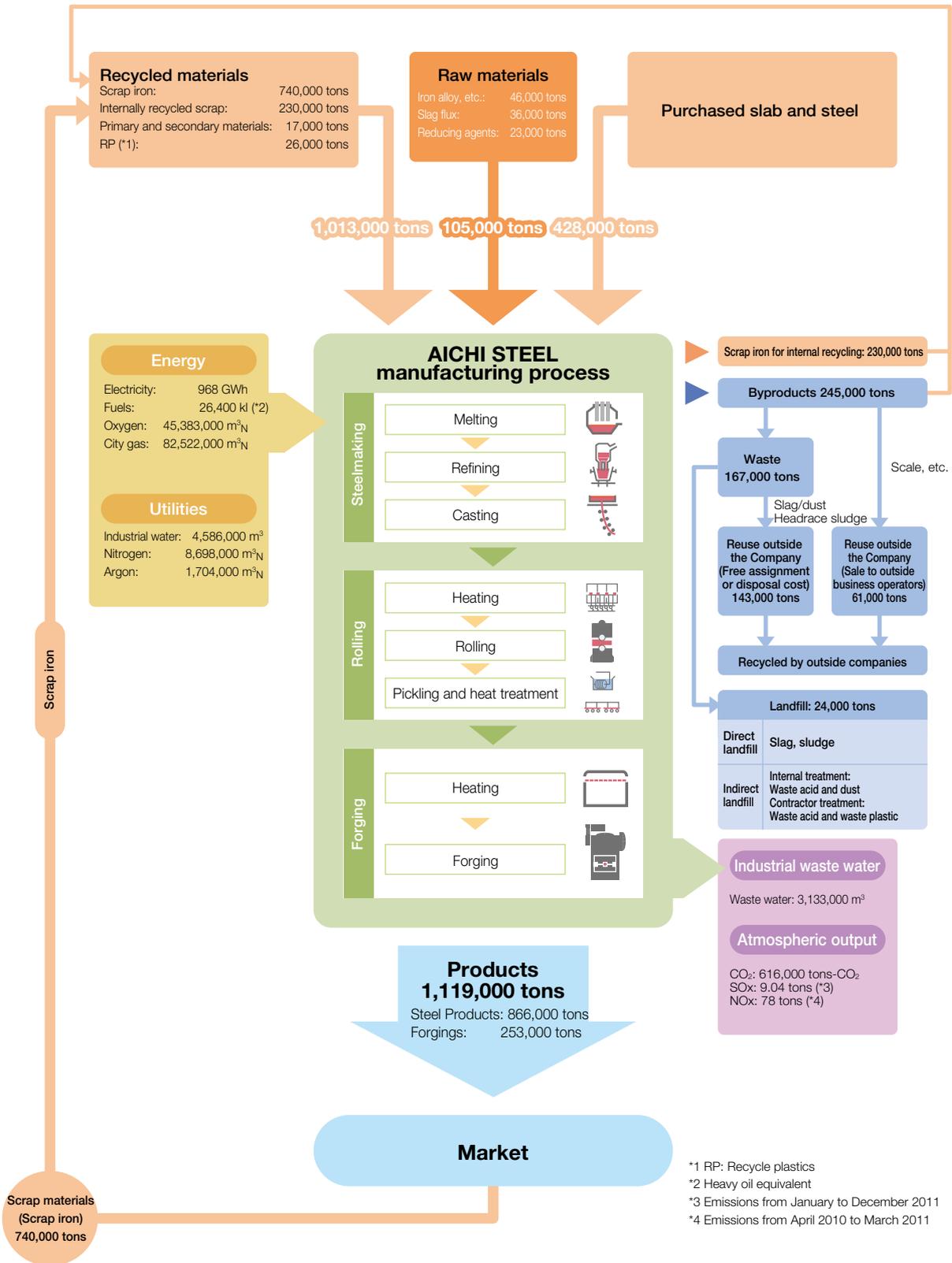


Participants with blue helmets are from Aichi Steel Group.

Forest-Creating Volunteers

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





*1 RP: Recycle plastics
 *2 Heavy oil equivalent
 *3 Emissions from January to December 2011
 *4 Emissions from April 2010 to March 2011

Environmental Data

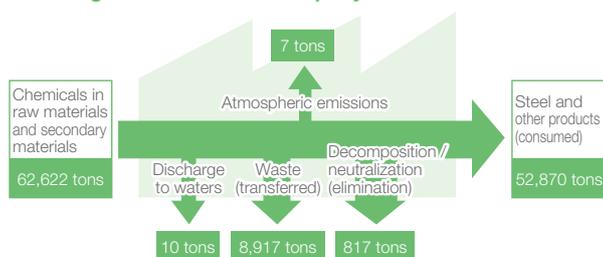
PRTR Data

(Unit: tons)

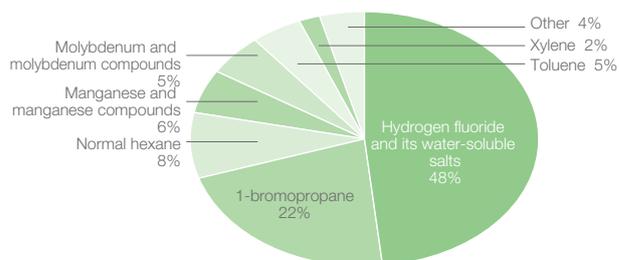
	Govt. Ordinance No.	Substance name	Amount handled	Discharged		Transferred
				Atmosphere	Water	Outside of premises (as waste, etc)
Chita and Forging Plants	1	Water-soluble zinc compound	1.5	-	0.160	0.310
	80	Xylene	3.7	0.320	-	-
	87	Chromium and trivalent chromium compounds	27000	0.100	0.011	2700.000
	132	Cobalt and cobalt compounds	160	-	-	2.900
	243	Dioxins	46.00	46.000	-	-
	300	Toluene	5.5	0.820	-	-
	304	Lead	90	-	-	-
	305	Lead compounds	250	0.210	-	180.000
	308	Nickel	6100	-	-	-
	309	Nickel compounds	850	0.021	0.083	35.000
	374	Hydrogen fluoride and its water-soluble salts	7.2	0.001	7.000	0.170
	384	1-bromopropane	5.2	3.700	-	1.500
	405	Boron and boron compounds	89	-	0.082	19.000
	412	Manganese and manganese compounds	18000	0.370	0.590	5800.000
	453	Molybdenum and molybdenum compounds	7900	-	0.600	0.280
Kariya Plant	87	Chromium and trivalent chromium compounds	1100	-	0.018	52.000
	309	Nickel compounds	530	-	0.017	28.000
	374	Hydrogen fluoride and its water-soluble salts	130	0.048	1.200	87.000
	453	Molybdenum and molybdenum compounds	19	-	0.290	1.800
Seki Plant	392	Normal hexane	1.4	1.400	-	-

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

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



Breakdown of discharged PRTR substances



PCB control

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

Atmospheric Quality Data

Chita and Forging Plants

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	130	93.0
		150	28.1
		180	59.5
	Heating furnace	130	66.4
		150	46.2
		170	56.4
		180	61.1
	200	42.2	
Soot	Boiler	0.15	0.001
	Heating furnace	0.08	0.003
		0.10	0.003
		0.20	0.003
		0.25	0.002
		0.30	0.005
	Electric furnace	0.05	0.001
		0.08	0.001
		0.10	0.001
SOx	(Total limit)	34.35	3.65

Kariya Plant

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	180	70.7
	Heating furnace	130	54.4
		150	48.1
		170	65.2
		200	55.9
Soot	Boiler	0.30	0.002
	Heating furnace	0.20	0.003
		0.25	0.003
SOx	(Total limit)	11.622	4.941

Higashiura Plant : No regulated facility

Gifu Plant

Substance	Facility	Limit	Actual level (max)
NOx	Boiler	150	82.0

Seki Plant : No regulated facility

- The actual levels of NOx and soot indicate the maximum values actually measured for each regulated facility.
- Units used are as follows. NOx: ppm, soot: g/m³N, SOx: m³N/h (total volume control as stipulated by the Air Pollution Control Act)

Water Quality Data

Chita and Forging Plants

Item	Limit	Max.	Min.	Average
pH	5-9	7.3	6.4	6.8
COD	25(20)	7.8	2.8	5.2
SS	40(30)	8.0	Less than 0.1	1.4
Nitrogen	120(60)	2.2	1.2	1.7
Phosphorus	16(8)	0.1	Less than 0.1	0.02

Kariya Plant

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	6.8	6.3	6.5
BOD	25(20)	6.1	1.0	2.8
SS	40(30)	20.0	1.5	5.1
Nitrogen	120(60)	7.4	3.1	4.4
Phosphorus	16(8)	0.2	Less than 0.1	0.10

Higashiura Plant

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.1	6.6	6.8
BOD	25(20)	2.0	1.9	2.0
SS	30(20)	2.0	Less than 0.1	0.6
Nitrogen	120(60)	5.1	1.2	2.3
Phosphorus	16(8)	0.6	Less than 0.1	0.27

Gifu Plant

Item	Limit	Max.	Min.	Average
pH	5.8-8.6	7.4	6.3	6.8
BOD	30(20)	1.8	0.8	1.3
SS	60(50)	3.5	Less than 0.1	1.0
Nitrogen	120(60)	4.7	0.6	3.1
Phosphorus	16(8)	0.3	Less than 0.1	0.15

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

Company Strategies and Approaches by Business Segment

Company Strategies and Approaches by Business Segment

Entering fiscal 2012, we see various uncertain factors remaining in the social environment, including the continuing appreciation of the yen, economic growth of emerging countries (leading to declining domestic demand), concern for rising electricity costs, and revision of measures to reduce greenhouse gases. In our industrial field, rapid and drastic changes in the business environment are likely to continue, such as accelerating on-site procurements; declining per-unit use of specialty steel due to increasing demand for HV, EV and small cars; and intensifying competition with steel materials from overseas.

To tackle these challenges, Aichi Steel Group must boost demand on a global scale by enhancing its group-wide initiatives and secure high competitiveness by systematically improving its manufacturing capabilities.

To this end, with the aim of proposing optimal products for each customer, we need to promote global deployment of both forging and steel businesses by strengthening the "mother" function of the Company to lead the Group and hastening reconstruction of the supply chain involving the corporate capabilities of all overseas subsidiaries. We also believe it is necessary to reinforce our profit-earning foundation by undergoing facility updating/reengineering, an unavoidable task for a facility-based industry, through the united efforts of everyone in Aichi Steel Group to reduce costs.

Specialty steel

In the specialty steel business, construction of the No. 3 continuous casting machine was completed in June 2011. For this, we made the largest-ever investment (approx. 25 billion yen) in the project, which commenced in 2009, of streamlining the upstream processes and reforming overall production processes. Our highest priority task for fiscal 2012 is to make full use of this state-of-the-art machine and achieve substantial results based on our advantages in quality, cost and environment-friendliness.

In the stainless steel business, renewal of the continuous pickling line at the Kariya Plant is scheduled in fiscal 2012, with the aim of improving the quality, productivity and environment-friendliness of the business.

Along with these production process reform efforts, we will promote planning and steady implementation of 4S (simple, slim, short, straight) reengineering, thereby pursuing cost reduction, resource saving, and energy conservation.

Forgings

In the forgings segment, it is urgently necessary to establish systems capable of responding to the rapid progress of globalization.

Aichi Steel has a total of four forging production bases overseas (Philippines, China, US, Thailand) with one newly added in 2012. Since expanded demand for forgings is expected to continue in emerging countries in ASEAN, South America, the Middle East, Africa, etc., our overseas forging subsidiaries will strive to steadily meet the growing demand for forgings and actively approach new markets, so as to improve their consolidated/non-consolidated ratio.

Meanwhile, the Company will enhance its role as the mother plant in providing training for staff members of overseas subsidiaries and transferring the advanced technologies and operational know-how developed in Japan, while responding properly to trends in the Japanese auto industry pursuing higher efficiency and smaller parts.

Electromagnetic components

Sales of all electromagnetic components for fiscal 2011 reached nearly 10 billion yen.

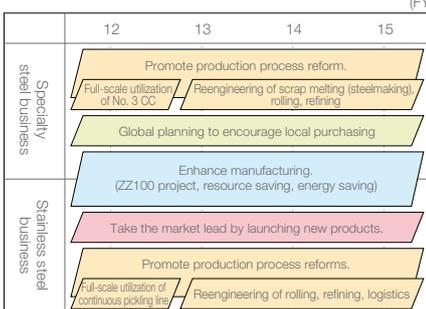
For electronic components, we will enhance facilities to boost production of HV parts in view of the increased demand for HVs, while promoting sales of our digital business by launching mini implants in the market. The magnet business segment will develop technologies to minimize the impact of neodymium (Nd) prices and provide alternatives for all types of motors, while the sensor segment will increase orders for our products to be used for growing smartphones and mobile tablets.

Other businesses (approaches to next-generation businesses)

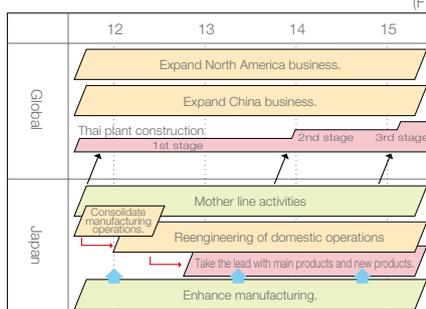
Aichi Steel's product lineup also includes the TetsuRiki-Agri plant activator series and the AS Shot abrasives. Although their current sales volume is small, these products will be widely promoted to contribute to the global environment.

TetsuRiki-Agri was used for recovery of farmlands damaged by seawater after the great earthquake, and is being used in fiscal 2012 to support the Tohoku region in cooperation with local government authorities.

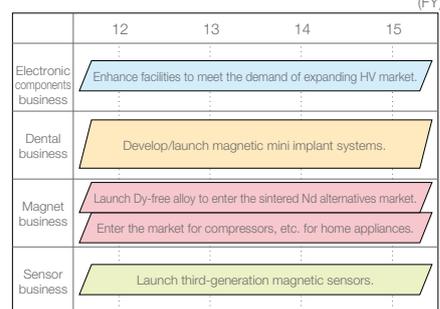
Medium-Term Plan for Specialty steel (FY)



Medium-Term Plan for Forgings (FY)



Medium-Term Plan for Electromagnetic Components (FY)



Summary

During the consolidated fiscal year under review, the Japanese economy saw a gradual recovery from the confusion after the Great East Japan Earthquake and the subsequent summer power shortages. However, due to soaring crude oil prices, prolonged appreciation of the yen and the impact of floods in Thailand, among other factors that arose after autumn, the economy came to a standstill.

The Aichi Steel Group was affected by the temporary large-scale production cuts in the auto industry, the Group's main customer base, due to the great earthquake and Thai floods. However, helped by the booming demand from the customers expecting production recovery, the sales volume of steel materials and forgings, our main products, increased from the previous fiscal year.

Under these circumstances, the Aichi Steel Group established an efficient production structure capable of flexibly responding to drastic changes in demand, while implementing thorough cost cutting, particularly for variable expenses as well as electricity and other energy consumption, and enhanced control of the break-even point. Also, company-wide activities to create profits were promoted making full use of the findings from the Z100 Project, our profit structure reform (project period: FY2009 – 2010).

These efforts resulted in consolidated net sales of 227,478 million yen, a 5.6% increase from the previous fiscal year (215,454 million yen).

Despite the effects of improved sales prices and cost reductions, due to a rise in prices of raw materials and energy (fuel, electricity) and an increase in fixed costs such as for labor and depreciation, the Aichi Steel Group posted an operating income of 8,459 million yen (14,073 million yen in the previous fiscal year) and ordinary income of 7,925 million yen (12,873 million yen in the previous fiscal year). Net income for this fiscal year was 4,247 million yen, a 72.1% decrease from the previous year (15,205 million yen) when -8,343 million yen was recorded as deferred income taxes as a result of a review on the deferred tax assets.

Operating Income and Net Income

Net sales for the consolidated fiscal year under review saw a 5.6% increase from the previous fiscal year to 227,478 million yen. Cost of sales was 198,960 million yen and the cost-to-sales ratio was 87.5% (84.6% for the previous fiscal year), an increase over the previous fiscal year. Selling, general and administrative expenses totaled 20,059 million yen, which accounted for 8.8% (8.9% for the previous fiscal year) of net sales.

As a result, operating income for the fiscal year under review was 8,459 million yen. Net income was 4,247 million yen, and return on equity (ROE) was 3.5%.

Sales by Business Segment

Specialty steel

Specialty steel is the mainstay products of the Aichi Steel Group. Due to increased sales volume and improved sales prices, net sales in this segment saw a 6.7% increase to 127,362 million yen for this consolidated fiscal year (119,346 million yen for the previous year).

Forgings

Closed-die forgings for automobiles account for a major part of this segment. Due to increased sales volume and improved sales prices, net sales in this segment saw a 1.8% increase to 87,423 million yen for this consolidated fiscal year (85,856 million yen for the previous year).

Electromagnetic components

Aiming to turn this segment into the Company's core business in the future, Aichi Steel has been nurturing and promoting new industrial fields for its sensors and magnetic products. Due to an increase in the sales volume of MI Sensors and electronic components, net sales in this segment saw a 33.7% increase to 9,085 million yen for this consolidated fiscal year (6,793 million yen for the previous year).

Other businesses

Aichi Steel's subsidiary companies provide various services and engage in software development, etc. Net sales in this segment saw a 4.3% increase to 3,605 million yen for this consolidated fiscal year (3,456 million yen for the previous year).

Financial Position

The Aichi Steel Group's financial position as of March 31, 2012 was as follows.

Total assets were 241,952 million yen, an increase of 1,734 million yen from the end of the previous fiscal year.

Current assets increased by 5,876 million yen to 125,313 million yen.

Property, plant and equipment decreased by 4,233 million yen from the previous fiscal year. Investments in plants and equipment for this fiscal year totaled 10,649 million yen. Depreciation and amortization amounted to 14,448 million yen.

Current liabilities increased by 13,248 million yen from the previous fiscal year. This is mainly due to an increase of 15,464 million yen in the current portion of long-term debt.

Non-current liabilities decreased by 13,954 million yen from the previous fiscal year, mainly due to a decrease of 14,363 million yen in long-term debt.

Net assets as of March 31, 2012 totaled 126,112 million yen, an increase of 2,440 million yen from the end of the previous fiscal year. Net assets per share were 614.86 yen (604.43 yen in the previous fiscal year), and capital adequacy ratio was 49.9% (49.4% in the previous fiscal year).

Consolidated Cash Flows

Net cash provided by operating activities decreased by 8,624 million yen from the previous year to 11,164 million yen. This is due to 4,064 million yen decrease in net income before income tax, 4,263 million yen increase in notes and accounts receivable-trade despite 4,296 million yen decrease in net cash due to an increase of inventory, and 4,672 million yen increase in income taxes paid.

Net cash used in investment activities decreased by 3,378 million yen from the previous year to 14,067 million yen. This is mainly due to a decrease of 2,069 million yen in property, plant and equipment purchases.

Net cash used in financing activities was 741 million yen, a 22,108 million yen decrease from the previous year. This is mainly due to expenses for redemption of bonds of 30,000 million yen in the

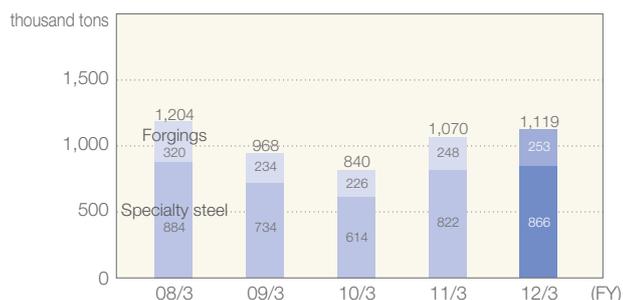
previous year, despite a decrease of 9,448 million yen from the previous year in proceeds from long-term debt.

Consequently, cash and cash equivalents as of March 31, 2012 amounted to 27,178 million yen, a decrease of 3,960 million yen from the end of March 2011 (31,138 million yen).

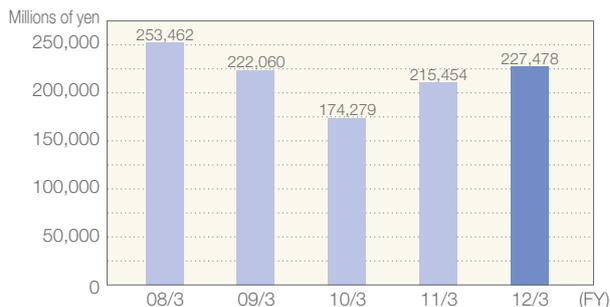
Available-for-Sale Securities

Of the total available-for-sale securities owned by the Company and its consolidated subsidiaries, the historical cost of those reported on the consolidated balance sheet at fair market value amounted to 2,734 million yen and the fair market value of these securities reported on the consolidated balance sheet was 9,509 million yen.

Sales volume (Non-consolidated basis)



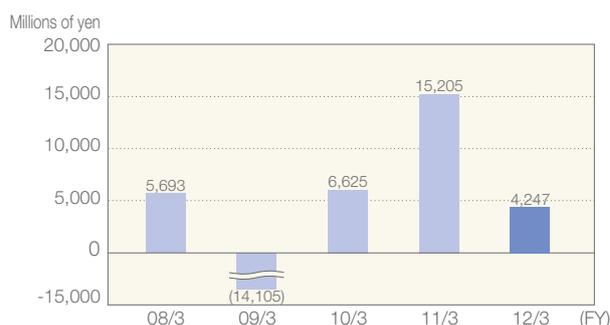
Net sales



Operating income or operating loss



Net income or net loss



ROE



Net assets, capital adequacy ratio



Five – year Summary (Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	2012	2011	2010	2009	2008	2012
Net sales	¥227,478	¥215,454	¥174,279	¥222,060	¥253,462	\$2,843,481
Operating income (loss)	8,459	14,073	4,314	(483)	10,884	105,732
Income (loss) before income taxes and minority interests	7,885	11,949	3,730	(2,618)	9,055	98,561
Net income (loss)	4,247	15,205	6,625	(14,105)	5,693	53,081
Property, plant and equipment	85,528	89,761	82,906	88,796	93,092	1,069,106
Total assets	241,952	240,218	242,350	220,017	264,048	3,024,395
Net assets	126,112	123,671	112,377	104,396	128,155	1,576,395
Per share data	Yen					U.S. Dollars
Net income (loss):						
Basic	¥21.62	¥77.49	¥33.77	¥(71.89)	¥29.00	\$0.3
Diluted	21.61	77.45	30.54	-	26.23	0.3
Number of employees (Persons)	4,406	4,351	4,282	4,467	4,539	

Notes:

- Net sales are presented exclusive of consumption taxes.
- Scope of Consolidation:
All subsidiaries are consolidated. The 18 subsidiaries are :
Aiko Corporation, Aichi Ceratec Corporation, Omi Mining Co., Ltd., Aichi Techno Metal Fukuami Company, Aichi Steel Logistics Co., Ltd., Aichi Information System Company, Aiko Service Co., Ltd., Aichi Micro Intelligent Corporation, Asdex Corporation, Aichi Forging Company of Asia, Inc., Aichi Forge USA, Inc., Aichi Europe GmbH, Aichi International (Thailand) Co., LTD., Shanghai Aichi Forging Co., Ltd., PT. Aichi Forging Indonesia, Aichi Magfine Czech s.r.o., AMIT, Inc. and Aichi Korea Corporation.
- Accounting Standard for Net Income Per Share (ASBJ Statement No. 2, June 30, 2010) and the Guidance on Accounting Standard for Net Income Per Share (ASBJ Guidance No. 4, June 30, 2010) have been adopted from this consolidated fiscal year. For net income (loss) for fiscal 2011 (107th) and before, figures after retroactive adjustment are stated.
- Net income per share is computed by dividing income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the respective years.
- Each fiscal year end date is March 31.
- The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥80=U.S.\$1.

Five – year Summary (Non-Consolidated)

	Millions of Yen					Thousands of U.S. Dollars
	2012	2011	2010	2009	2008	2012
Net sales	¥190,096	¥179,183	¥141,093	¥181,317	¥202,860	\$2,376,197
Operating income (loss)	5,481	11,441	3,153	(3,209)	6,559	68,510
Income (loss) before income taxes	5,117	10,048	2,351	(3,877)	5,811	63,966
Net income (loss)	2,714	13,181	5,967	(14,573)	3,838	33,930
Property, plant and equipment	72,685	78,200	69,809	75,250	77,539	908,560
Total assets	217,473	218,974	222,210	200,006	236,098	2,718,408
Net assets	114,371	113,097	102,593	95,919	115,615	1,429,637
Per share data	Yen					U.S. Dollars
Net income (loss):						
Basic	¥13.82	¥67.17	¥30.41	¥(74.28)	¥19.55	\$0.2
Diluted	13.81	67.14	27.51	-	17.68	0.2
Cash dividends	10.00	10.00	8.50	7.50	10.00	0.1
Number of employees (Persons)	2,367	2,360	2,330	2,331	2,328	

Notes:

- Net sales are presented exclusive of consumption taxes.
- Accounting Standard for Net Income Per Share (ASBJ Statement No. 2, June 30, 2010) and the Guidance on Accounting Standard for Net Income Per Share (ASBJ Guidance No. 4, June 30, 2010) have been adopted from this business year. For net income (loss) for fiscal 2011 (107th) and before, figures after retroactive adjustment are stated.
- Net income per share is computed by dividing income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the respective years.
- Each fiscal year end date is March 31.
- The U.S. dollar amounts above represent translations of yen, for convenience only, at the rate of ¥80=U.S.\$1

Consolidated Balance Sheets

As at March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Assets			
Current assets:			
Cash and deposit	¥27,244	¥31,214	\$340,547
Notes and accounts receivable	55,957	46,877	699,471
Short-term investments	185	215	2,311
Finished goods	8,626	7,508	107,822
Work in process	18,074	18,431	225,926
Raw materials and supplies	9,194	8,466	114,932
Deferred tax assets	3,852	4,931	48,148
Other assets	2,334	1,937	29,172
Less: allowance for doubtful receivables	(153)	(142)	(1,915)
Total current assets	125,313	119,437	1,566,414
Fixed assets:			
Property, plant and equipment:			
Building and structures	60,587	58,107	757,336
Less: accumulated depreciation	(41,343)	(39,616)	(516,786)
Machinery, equipment and vehicles	259,757	242,335	3,246,966
Less: accumulated depreciation	(212,498)	(204,939)	(2,656,227)
Equipment	12,578	12,241	157,224
Less: accumulated depreciation	(11,006)	(10,855)	(137,570)
Land	14,307	14,268	178,834
Lease assets	316	130	3,947
Less: accumulated depreciation	(72)	(41)	(902)
Construction in progress	2,903	18,131	36,283
Net property, plant and equipment	85,529	89,761	1,069,105
Intangible fixed assets:			
Telephone rights	12	12	154
Other assets	203	208	2,537
Total intangible fixed assets	215	220	2,691
Investments and other assets:			
Investment securities	14,068	13,903	175,848
Long-term loans	818	945	10,221
Prepaid pension cost	14,309	14,327	178,859
Deferred tax assets	1,021	916	12,763
Other assets	731	741	9,139
Less: allowance for doubtful receivables	(52)	(32)	(645)
Total investments and other assets	30,895	30,800	386,185
Total fixed assets	116,639	120,781	1,457,981
Total assets	¥241,952	¥240,218	\$3,024,395

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Liabilities and net assets			
Liabilities			
Current liabilities:			
Notes and accounts payable	¥28,581	¥25,238	\$357,269
Short-term borrowings	1,665	1,556	20,808
Current portion of long-term debt	15,536	71	194,199
Lease obligations	62	27	775
Income taxes payable	1,905	4,525	23,811
Accrued bonuses for directors and corporate auditors	203	230	2,540
Other liabilities	13,351	16,408	166,882
Total current liabilities	61,303	48,055	766,284
Long-term liabilities:			
Long-term debt	41,783	56,146	522,289
Lease obligations	195	70	2,443
Long-term payables	0	7	0
Deferred tax liabilities	35	439	431
Employees' retirement benefit liabilities	10,566	9,857	132,071
Retirement benefit obligation for directors and corporate auditors	1,241	1,250	15,518
Asset retirement obligations	648	645	8,101
Other liabilities	69	77	863
Total long-term liabilities	54,537	68,491	681,716
Total liabilities	115,840	116,546	1,448,000
Net assets			
Shareholders' equity:			
Common stock, no par value:			
Authorized: 476,000,000 shares;	25,017	25,017	312,709
Issued: 198,866,751 shares in 2012 and 2011			
Capital surplus	27,899	27,899	348,735
Retained earnings	68,053	65,780	850,667
Less, treasury stock, at cost	(1,462)	(1,516)	(18,272)
2,422,154 shares in 2012 and 2,511,020 shares in 2011			
Total shareholders' equity	119,507	117,180	1,493,839
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities, net of taxes	4,485	3,993	56,061
Foreign currency translation adjustments	(3,206)	(2,490)	(40,075)
Total valuation and translation adjustments	1,279	1,503	15,986
Subscription rights to shares	177	183	2,210
Minority interests in subsidiaries	5,149	4,806	64,360
Total net assets	126,112	123,672	1,576,395
Total liabilities and net assets	¥241,952	¥240,218	\$3,024,395

Notes:

- Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) have been adopted for changes and error corrections made from this consolidated fiscal year.
- With the promulgation of the "Act on Partial Revision of the Income Tax Act, etc. to Build a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) on December 2, 2011, corporate income tax rates were lowered and a special corporate tax for reconstruction was imposed for the fiscal years starting on or after April 1, 2012. Along with these, the effective statutory tax rates for the calculation of deferred tax assets and deferred tax liabilities were revised from 40.0% to 37.3% for the temporary differences expected to be settled in fiscal years starting between April 1, 2012 and March 31, 2014, and to 34.9% for the temporary differences expected to be settled in fiscal years starting on or after April 1, 2015. As a result of these changes, deferred tax assets (after deduction of deferred tax liabilities) decreased by 113 million yen while income taxes-deferred and valuation difference on available-for-sale securities increased by 446 million yen and 332 million yen, respectively.

Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

For the Years Ended March 31, 2012 and 2011(Consolidated Statements of Income)

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Net sales	¥227,478	¥215,454	\$2,843,481
Cost of sales	198,960	182,191	2,487,007
Gross profit	28,518	33,263	356,474
Selling, general and administrative expenses:			
Freight expenses	3,044	3,055	38,055
Sales commission	1,024	982	12,803
Salaries and allowances and welfare expenses	7,069	6,454	88,365
Retirement benefit expenses	534	655	6,679
Provision of allowance for directors' bonuses	204	230	2,544
Provision of allowance for directors' retirement benefits	260	266	3,248
Provision of allowance for doubtful receivables	12	2	153
Depreciation	639	607	7,988
Research and development expenses	3,337	2,776	41,715
Others	3,936	4,163	49,193
Total selling, general and administrative expenses	20,059	19,190	250,743
Operating income	8,459	14,073	105,732
Non-operating income:			
Interest income	141	125	1,764
Dividend income	249	233	3,108
Gain on sales of goods	273	278	3,411
Earnings of subsidies	113	153	1,410
Others	184	363	2,303
Total non-operating income	960	1,152	11,996
Non-operating expenses:			
Interest expenses	623	655	7,793
Loss on disposal of property, plant and equipment, net	512	354	6,395
Foreign exchange loss	75	817	933
Loss on valuation of derivatives	53	36	658
Others	230	490	2,880
Total non-operating expenses	1,493	2,352	18,659
Ordinary income	7,925	12,873	99,068
Extraordinary expenses:			
Impairment loss on fixed assets	8	200	100
Loss on investment securities	33	88	408
Effect of adoption of accounting standard for asset retirement obligations	-	593	-
Loss from disasters	-	43	-
Total extraordinary expenses	41	924	508
Income before income taxes and minority interests	7,885	11,949	98,561
Income taxes:			
Current	2,420	4,711	30,258
Deferred	798	(8,343)	9,974
Total income taxes	3,218	(3,632)	40,232
Minority interests in net income of subsidiaries	420	376	5,248
Net income	¥4,247	¥15,205	\$53,081
		Yen	U.S. Dollars
Per share	2012	2011	2012
Net income:			
Basic	¥21.62	¥77.49	\$0.3
Diluted	21.61	77.45	0.3
Cash dividends	10.00	10.00	0.1

For the Years Ended March 31, 2012 and 2011(Consolidated Statement of Comprehensive Income)

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Net income before minority interests	¥4,666	¥15,581	\$58,329
Other comprehensive income			
Valuation difference on available-for-sale securities	495	(615)	6,194
Foreign currency translation adjustment	(769)	(1,574)	(9,617)
Total of other comprehensive income (loss)	(274)	(2,189)	(3,423)
Comprehensive income	4,392	13,392	54,906
(Breakdown)			
Comprehensive income attributable to owners of the parent	4,023	13,263	50,284
Comprehensive income attributable to minority interests	369	129	4,622

Consolidated Statements of Changes in Net Assets

■ For the Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Shareholders' equity			
Common stock			
Balance at the beginning of year	¥25,017	¥25,017	\$312,710
Balance at the end of year	25,017	25,017	312,710
Capital surplus			
Balance at the beginning of year	27,899	27,899	348,734
Balance at the end of year	27,899	27,899	348,734
Retained earnings			
Balance at the beginning of year	65,780	52,738	822,251
Change of items during the period			
Cash dividends	(1,964)	(2,158)	(24,549)
Net income for the year	4,247	15,205	53,081
Disposal of treasury stock due to exercise of stock options	(10)	(5)	(117)
Total changes of items during the period	2,273	13,042	28,415
Balance at the end of year	68,053	65,780	850,666
Treasury stock			
Balance at the beginning of year	(1,516)	(1,611)	(18,942)
Change of items during the period			
Purchase of treasury stock and fractional shares	(0)	(0)	(0)
Disposal of treasury stock due to exercise of stock options	54	95	671
Total changes of items during the period	54	95	671
Balance at the end of year	(1,462)	(1,516)	(18,271)
Total shareholders' equity			
Balance at the beginning of year	117,180	104,043	1,464,753
Change of items during the period			
Cash dividends	(1,964)	(2,158)	(24,549)
Net income for the year	4,247	15,205	53,081
Purchase of treasury stock and fractional shares	(0)	(1)	(0)
Disposal of treasury stock due to exercise of stock options	44	91	554
Total changes of items during the period	2,327	13,137	29,086
Balance at the end of year	¥119,507	¥117,180	\$1,493,839

Consolidated Statements of Changes in Net Assets

□ For the Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accumulated other comprehensive income			
Net unrealized gains on available-for-sale securities, net of taxes			
Balance at beginning of year	¥3,993	¥4,607	\$49,918
Change of items during the period			
Net changes of items other than shareholders' equity	492	(614)	6,143
Total changes of items during the period	492	(614)	6,143
Balance at the end of year	4,485	3,993	56,061
Foreign currency translation adjustments			
Balance at the beginning of year	(2,491)	(1,162)	(31,134)
Change of items during the period			
Net changes of items other than shareholders' equity	(715)	(1,329)	(8,941)
Total changes of items during the period	(715)	(1,329)	(8,941)
Balance at the end of year	(3,206)	(2,491)	(40,075)
Total accumulated other comprehensive income			
Balance at the beginning of year	1,503	3,445	18,784
Change of items during the period			
Net changes of items other than shareholders' equity	(224)	(1,943)	(2,798)
Total changes of items during the period	(224)	(1,943)	(2,798)
Balance at the end of year	1,279	1,502	15,986
Subscription rights to shares			
Balance at the beginning of year	183	180	2,284
Change of items during the period			
Net changes of items other than shareholders' equity	(6)	3	(74)
Total changes of items during the period	(6)	3	(74)
Balance at the end of year	177	183	2,210
Minority interests in subsidiaries			
Balance at the beginning of year	4,806	4,709	60,073
Change of items during the period			
Net changes of items other than shareholders' equity	343	97	4,287
Total changes of items during the period	343	97	4,287
Balance at the end of year	5,149	4,806	64,360
Total net assets			
Balance at the beginning of year	123,671	112,377	1,545,894
Change of items during the period			
Cash dividends	(1,964)	(2,158)	(24,549)
Net income for the year	4,247	15,205	53,081
Purchase of treasury stock and fractional shares	(0)	(0)	(0)
Disposal of treasury stock due to exercise of stock options	44	90	554
Net changes of items other than shareholders' equity	114	(1,843)	1,415
Total changes of items during the period	2,441	11,294	30,501
Balance at the end of year	¥126,112	¥123,671	\$1,576,395

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥7,885	¥11,949	\$98,561
Adjustments for depreciation	14,448	12,476	180,597
Adjustments for impairment loss on fixed assets	8	200	100
Income/Loss on investment securities	33	88	408
Effect of adoption of accounting standard for asset retirement obligations	-	593	-
Loss from disasters	-	43	-
Decrease (increase) of prepaid pension cost	18	(72)	226
Increase of employees' retirement benefit obligation	705	663	8,818
Decrease in defined contribution pension payable	(289)	(322)	(3,616)
Increase (decrease) of allowance for doubtful receivables	31	(29)	392
Interest and dividend income	(393)	(358)	(4,914)
Interest expense	623	655	7,793
Foreign exchange loss	75	348	933
Loss (gain) on sale of property, plant and equipment, net	4	(35)	48
Loss on disposal of property, plant and equipment	96	221	1,205
Notes and accounts receivable	(9,265)	(5,002)	(115,818)
Inventories	(1,739)	(6,035)	(21,734)
Notes and accounts payable	3,555	4,481	44,442
Other, net	692	628	8,648
Subtotal	16,487	20,492	206,089
Interest and dividend received	397	361	4,969
Interest paid	(628)	(645)	(7,843)
Income taxes paid	(5,092)	(420)	(63,654)
Net cash provided by operating activities	11,164	19,788	139,561
Cash flows from investing activities:			
Net decrease (increase) in time deposits	40	(120)	500
Payments for purchase of property, plant and equipment	(14,283)	(16,352)	(178,533)
Proceeds from sales of property, plant and equipment	47	124	584
Payments for purchase of investment securities	(51)	(1,353)	(639)
Proceeds from sales of investment securities	51	5	640
Collection of subscriptions	-	50	-
Payments for loans	-	(1)	-
Collections of loans	128	202	1,596
Other, net	1	(0)	9
Net cash used in investing activities	(14,067)	(17,445)	(175,843)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	117	(695)	1,465
Proceeds from long-term debt	1,196	10,644	14,957
Repayments of long-term debt	(65)	(663)	(818)
Payments for bond redemption	-	(30,000)	-
Payments for refund of lease obligations	(33)	(21)	(418)
Proceeds from minority shareholders of subsidiary	23	-	294
Proceeds from exercise of stock options	35	77	433
Cash dividends paid	(1,964)	(2,158)	(24,556)
Cash dividends paid to minority shareholders	(50)	(33)	(619)
Others	(0)	-	(1)
Net cash used in financing activities	(741)	(22,849)	(9,263)
Effect of exchange rate changes on cash and cash equivalents	(316)	(706)	(3,952)
Net decrease in cash and cash equivalents	(3,960)	(21,212)	(49,497)
Cash and cash equivalents at beginning of year	31,138	52,350	389,224
Cash and cash equivalents at end of year	¥27,178	¥31,138	\$339,727

Third-Party View



The report for this fiscal year clearly presents the Company's global strategies responding to the changes of the times based on lessons learned from the Great East Japan Earthquake on March 11, 2011, focusing on its approaches toward the establishment of a sustainable business environment.

Mr. Satoshi Chikami

Professor, Faculty of International Welfare Development, Nihon Fukushi University

□ Global strategies with a view to the future (pp. 4-5, etc.)

Under the top management now in its second year, strategies with a view to the future of Aichi Steel are clearly presented. As described in the Message from the President, what Aichi Steel aims for in the future is reflected in various approaches including efforts to establish a system to supply products globally based on the 4-pole structure focusing on Japan, North America, ASEAN and China; the development and production of diverse new products that meet changing needs; and hosting the "new generation business proposals contest" targeting all employees. Four measures to become a Company of Choice, based on the "1S" corporate culture, are also presented, demonstrating the Company's clear determination.

□ Actions following the Great East Japan Earthquake (pp. 8-11)

One and a half years have passed since the Great East Japan Earthquake on March 11, 2011. How devotedly the Company and its employees have supported the affected areas both formally and informally is described. Particularly, relief activities in which the employees participated to support the region using the welfare vacation system demonstrate their high awareness. The Report also mentions the launch of discussions on BAP as part of the Company's BCM initiatives, with the aim of preparing for the unavoidable massive Tokai, Tonankai and Nankai earthquakes. I expect further discussions on how to secure employees' safety, recover production, and cooperate with local communities toward establishment of the BCP in fiscal 2015.

□ Clear presentation of results and evaluation of medium-term CSR plan (p. 17)

Similar to the previous fiscal year, activity results and evaluation based on the CSR Vision 2015 and future direction are summarized in an explicit manner. Causes and future measures for targets receiving Δ evaluation are clearly specified, which should be credited highly.

□ Diversity management (pp. 28-29)

Initiatives to promote diversity in business management have been launched, such as hosting of seminars on sustainable corporate management and diversity. The number of female and foreign employees is gradually increasing. "Diversity and Inclusion" is a crucial principle for a global company to expand operations throughout the world. It is also an important notion to encourage each employee to exercise creativity, with the aim of creating new values and expanding business activities. I expect these initiatives to further develop and be included in the CSR framework.

□ Environmental Action Plan 2015 (p. 35)

The start of operations of No. 3 CC to substantially reduce energy use, the recycling of steel slag as a material for landscape restoration, the acquisition of ISO 14001 certification by consolidated overseas subsidiaries, and various other efforts demonstrate steady progress in this field. I expect further efforts will be taken to clarify the CO₂ consumption at overseas bases and to promote a CO₂ management system on a global basis.

□ Basic stance and concept are clarified for each item.

For each item provided in the Report, the basic stance and concept are clearly presented. Therefore readers are not only provided with a description of each item but also made aware of the connection between each item and its cause.

□ Conclusion

Reports on social and environmental issues often contain huge amounts of information, making it burdensome for readers. I would suggest providing detailed data about environmental performance and finances on the Company website while featuring visions, achievements and evaluations in the Aichi Steel Report, and then establishing effective connections between the Report and website. I also think the approaches concerning CSR, environmental management, etc. at overseas production bases should be more actively presented as a global company under a 4-pole structure.

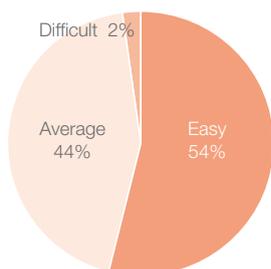
© This Third-Party View is based on interviews with relevant parties, observation of production sites, etc.

Response to the Third-Party View

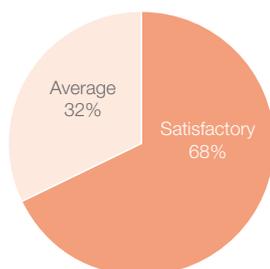
Comments from readers

Thank you for your cooperation in the questionnaire survey regarding the Aichi Steel Report 2011. We value your input and views and will put them to good use in our improvement activities in the future. Here, we would like to introduce some of the answers and comments we received.

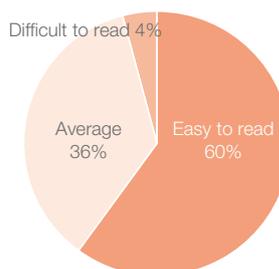
Understandability



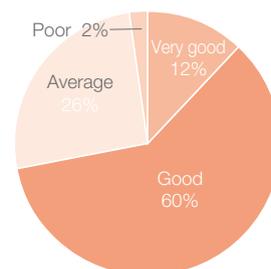
Content



Readability (design, etc.)



Understanding of our CSR activities



n=50

Comments and Opinions

- The Company's outline is provided clearly.
- Up-to-date contents in addition to the outlined company profile interested me.
- I think the significance and excitement of the establishment of rare metal/earth-alternative technologies should be described in detail.
- I would like joint activities with Tokai City or other companies to be presented.

Response to the Third-Party View



Masao Ukai
Managing Director,
General Affairs Div.

I would like to express my appreciation to Professor Chikami for kindly providing his comments for the Third-Party View for the third consecutive year. I think the professor's opinions based on his wide range of knowledge contain many implications for the Company's management aiming to achieve sustainable growth. How his suggestions from the previous fiscal year have been reflected in our management is described in the footnotes. I believe it is the basis and obligation of a company to continue growing by adjusting to the ever-changing world and foreseeing future trends. Aiming to become a Company of Choice for our stakeholders, as President Fujioka always emphasizes, all the members of Aichi Steel Group will make active steps forward.

Response to matters highlighted in previous report

1. How the "1S" corporate culture is disseminated throughout the entire company, and what results are being attained

A. Dissemination within the Company and group companies in Japan is largely achieved as a result of efforts such as presentation of the vision and communication of President Fujioka's message (pp. 6-7), and provision of in-house education and case studies, demonstrated by the results of the questionnaire survey (p. 19). For overseas group companies, an English version of the "1S Guidebook" was issued. But we know further efforts for dissemination are needed.

2. Introduction of environmental data, environmental activities, and CSR activities on the Company website in conjunction with the Aichi Steel Report

A. Until last year, the Report was provided on the Company website only in PDF format. From last year, however, the "Message from the President" and feature articles appear on the website. Since access from smartphones and tablet devices has been rapidly increasing these days, we began considering changing the system to make the website the main source of information. We also plan to include the matters mentioned in the contents.

3. Enhancement and introduction of coordinated efforts in waste reduction and recycling with the entire Toyota Group

A. We are proud that we are a recycling-oriented enterprise based on resource recycling. Efforts to promote coordinated resource recycling with the entire Toyota Group have not resulted in specific achievements yet though discussions are repeatedly held, since many technical difficulties in development remain. We will strive to enhance the reuse of automobile shredder residue and waste plastics, with which we have experience, and recycling of new resources.

 **AICHI STEEL CORPORATION**

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