

Jan. 21, 2016
AICHI STEEL CORPORATION

Accident in No.2 Bar Mill Shop at Chita Plant (Third Report)

We once again express our deep regret for the great trouble and inconvenience caused to neighborhood residents and those concerned by the accident which occurred in the No.2 Bar Mill Shop at the Chita Plant of AICHI STEEL CORPORATION.

Currently available information as of January 21st is as follows;

1. Background

- at 10:00 pm, Jan 8, 2016

The operator began the process to ignite the reheating furnace to start operation of the No.2 Bar Mill Shop manufacturing line.

- at 11:30 pm, Jan 8, 2016

The operator started to charge the pipes of the reheating furnace with fuel gas.

- at 11:45 pm, Jan 8, 2016

The explosion occurred when the pilot burner was lit.

2. Cause of the accident

We suppose that (1) when the operator began the reheating furnace ignition process, gas leaked from valves (the valves have been recovered and are being examined) and accumulated in the furnace. (2) The pre-ignition air purge process was not carried out and the pilot burner flame ignited the accumulated gas.

3. Accident Response Organization

Since Jan 9, an Emergency Control Headquarters Meeting, headed by the Production Headquarters General Manager and with the objective of emergency response to the accident, has been convened daily for the purpose of facilitating actions by top management and the quick sharing of relevant information.

We have made a thorough review of other similar facilities and procedure manuals, and taken measures to ensure their full dissemination to all operators, reinforcing the importance of following procedures.

4. Measures for ensuring continued supply

Until operations at the plant can be restarted, we will continue the supply of products by using inventory on hand and by utilizing our substitute facilities and outside toll manufacturers for production. Our sales department is coordinating the supply of each product directly with customers.

5. Outlook for restart of operations

Operations at No.2 Bar Mill Shop are suspended at this moment due to damage to the reheating furnace incurred in the accident. (The Melting Shop, other Bar Mill Shops, Forging Shops and Electronic Components plants are operating as usual.)

At this moment, we aim to restart operations by the end of March 2016. Every available effort is being made to ensure this is as soon as possible.

At this point in time, it is very difficult to estimate the financial impact of the accident; however any anticipated impact will be reported as necessary as details become available.