

Mar. 17, 2016
AICHI STEEL CORPORATION

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

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

Thanks to the support and cooperation of those concerned, we will restore the No.2 Bar Mill Shop and expect to restart operations on Mar. 21, 2016.

We are implementing thorough measures to prevent a reoccurrence of this situation, and are working to strengthen our production and supply systems to rebuild our customers' trust and peace of mind.

At this point in time, a detailed examination of the financial impact of the accident is still being carried out; however any impact that has been identified will be reported in the Forecast of Financial Results for the Fiscal Year Ending March 31, 2016.

1. Restoration and restarting the operations

We have restored and confirmed the safety of the reheating furnace with various measures based on the guidance by the authorities concerned.

Pending the confirmation of the facility performance and product quality by way of a test production run, we will restart operations on Mar. 21, 2016.

2. Measures to prevent recurrence:

(1) Cause of the accident

We have deemed that;

- ① during restarting after regular maintenance, the pre-ignition air purge process was not carried out.
- ② further, incorrect work procedure was followed when fuel gas was run through the lines, leading to gas flowing into the furnace.
- ③ as a result, the pilot burner flame ignited the accumulated gas.

(2) Measures to prevent recurrence (Refer to Attachment for details)

The following measures will be implemented;

① Human measures:

review of work procedures, personnel measures based on re-education about safety.

② Material measures:

interlock features will be added to facilities to act as fail-safe functions.

- ③ In addition, in order to strengthen against occurrence of such accidents in other departments, the above human and material measures will be applied company wide.

3. System strengthening to ensure continued supply

Since the East Japan Earthquake, we have strengthened our business continuity by keeping inventory, investigating in-house and out-sourced alternative production in advance, and listed detailed information in order to improve our crisis management.

While carefully reviewing the effect our actions had on customers' production, we are examining our handling of this situation (the use of inventory, in-house and out-sourced alternative production).

We realize the need to work more closely with customers in order to establish a stronger and more resilient supply chain and not trouble or inconvenience our customers again.

<Attached document>

1) Recurrence prevention measures for No.2 Bar Mill Shop

	Item	Concrete measures	Completion date
Human measures	1). Raising operators' level of understanding by re-education about safety	<ul style="list-style-type: none"> •Re-education about the importance of the air purge process •Re-education about the safety points of the ignition process 	Feb.2016 (Completed)
	2) Review of work procedure	•Check the completion of work procedures by using check sheet with two people	Mar.2016 (Completed)
Material measures	1) Add the fail-safe function	•Add an interlock function for the air purge process (to work only when the air purge conditions are input.)	Mar.2016 (Completed)
		•Add an interlock function for the ignition process (to work only when the air purge process is completed.)	Mar.2016 (Completed)

2) Companywide measures to prevent recurrence

	Item	Concrete measures	completion date
Human measures	1) Increase worker skill	<ul style="list-style-type: none"> •Conducting special education and qualifying examination for ignition process. •Establish "anzen dojo" and training room to learn the ignition process. 	Sept.2016
	2) Build up the culture of observing rules	<ul style="list-style-type: none"> •Educate operators to value rules •Establish a memorial day "The day of re-start Jan.8" to remember the accident. 	Apr.2016~ Every year
Material measures	1) Add fail-safe functions (adopt to all furnaces in the plant)	Add fail-safe functions to all furnaces in the plant in turn considering the priority given from the level of risk.	Apr.2016~ Sequentially