

Hagane Company



Toshio Ito

Managing Executive Officer and Hagane Company President

Profile

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



Contributing to these SDGs



Fiscal 2021 Business Performance

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

Net sales (billion yen)



Business Environment

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

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

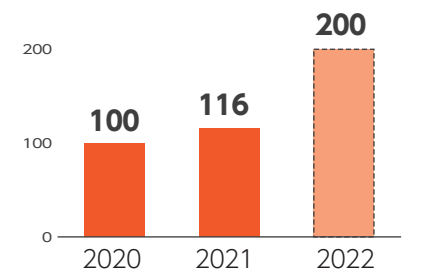
Progress and Future Initiatives

Business profitability improvement

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

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

Energy cost index (electricity)



Small-section continuous casting technology development

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



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

Capital tie-up with Vardhman

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



Providing technical support at Vardhman

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

Value for Society

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

Business Overview

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



Specialty steel materials



Automotive parts made with specialty steel

Strategies in the Medium-term Management Plan

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

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

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