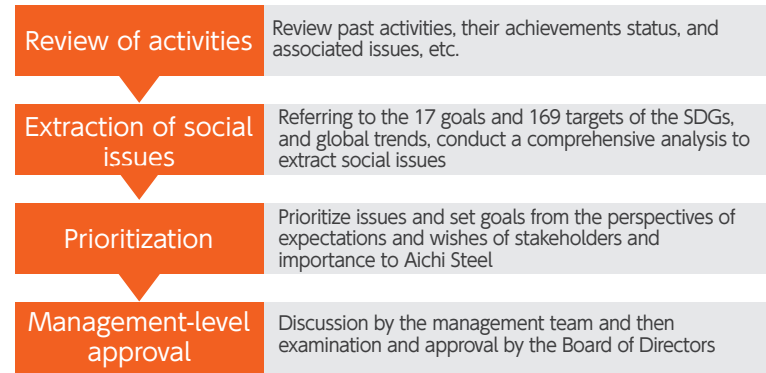


Priority Issues (Materiality)

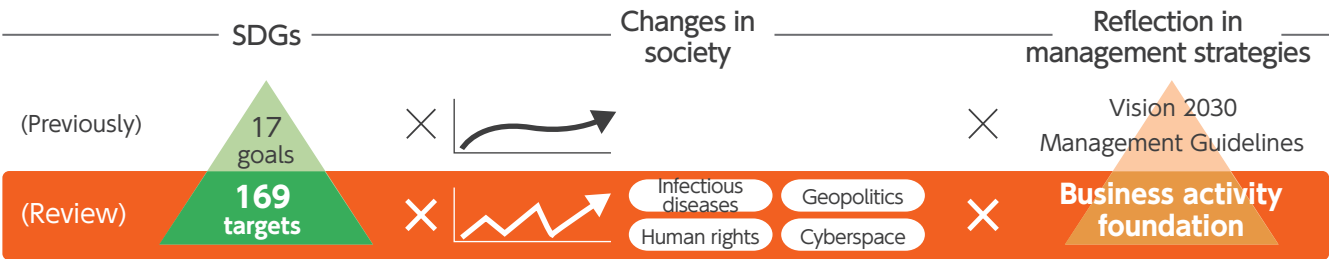
In line with Our Vision, “We will strive to make positive contributions to society by providing appealing products from global perspectives and based on our vibrant and trustworthy corporate qualities.” We consider that contributing to the realization of a sustainable society through our businesses activities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

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

I Identification of priority issues



I Promotion system for priority issue initiatives



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

Review			
			Climate Change
			Resource Recycling
			Procurement
			Technology Innovation
			Cybersecurity
			Quality and Production
			Safety and Health
			Workstyles and HR Development
			Diversity
			Coexistence with Community
			Human Rights
			Legal Compliance

Climate Change

Related SDGs:

Main initiatives

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

2030 **35%**

2050 **Carbon neutrality**

Achievements

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

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Resource Recycling

Related SDGs:

Main initiatives

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

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

▶ p. 21

Procurement

Related SDGs:

Main initiatives

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

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

▶ p. 25

Technology Innovation

Related SDGs:

Main initiatives

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

Achievements

R&D expenses	¥4.34 billion	(previous fiscal year: ¥4.05 billion)
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	Targets and KPIs	Achievements
Number of patent applications	50	54

▶ p. 24

Cybersecurity

Related SDGs:

Main initiatives

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

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

▶ p. 55

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

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

*3 All eight domestic subsidiaries and five overseas forging subsidiaries

Priority Issues (Materiality)

Quality and Production

Related SDGs: 12 RESPONSIBLY CONSUMED AND PRODUCED

Main initiatives

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

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

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

Quality

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

Production

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

Safety and Health

Related SDGs: 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH

Main initiatives

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

Conducting training at the Denshinkan safety education facility

Example of the healthy menu offerings at staff cafeterias

Safety

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

Health

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

Workstyles and HR Development

Related SDGs: 8 DECENT WORK AND ECONOMIC GROWTH

Main initiatives

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

Workstyles

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

HR Development

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

Diversity

Related SDGs: 10 REDUCED INEQUALITIES

Main initiatives

As above

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

Human Rights

Related SDGs: 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main initiatives

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

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

Coexistence with Community

Related SDGs: 15 LIFE ON LAND

Main initiatives

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

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

Legal Compliance

Related SDGs: 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main initiatives

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

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

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