Priority Issues (Materiality)

Basic approach

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," Aichi Steel considers 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 established "Enhance earnings capacity by reforming business and manufacturing while putting ESG management into practice" as our basic policy in Vision 2030, while identifying priority issues to address and setting KPIs as specific targets. Through these initiatives, we aim to realize our Vision 2030 and address social issues.

Promotion structures

Aichi Steel brings together the leadership of its management team, cross-division functions of administrative divisions, and business focus of in-house companies to drive sustainability initiatives. The business promotion councils manage action plans and progress to ensure KPIs are achieved, and regularly report to the Top Management Meeting and Board of Directors. The Top Management Meeting carries out regular reviews based on progress of each initiative, social trends, and changes in the business environment. After revising priority issues (materiality) and KPIs, and discussing and considering how to reflect the changes in management policy, planning, and strategy, the Top Management Meeting decides important matters through discussion with the Board of Directors.

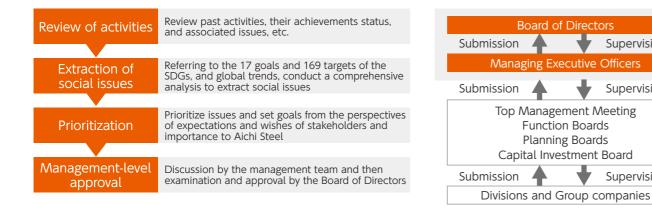
Identification of priority issues

Identification of priority issues

Supervision

Supervision

Supervision

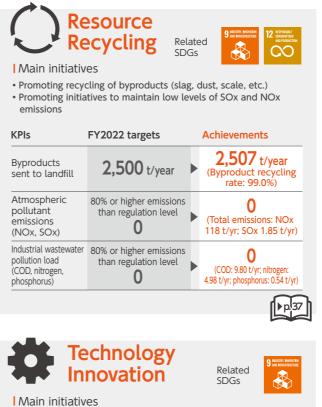


Priority issues, main KPIs, target years, and targets

Priority issues	Main KPIs	Target years	Targets
Climate Change	CO ₂ emission reduction rate (compared to FY2013)	2030	-50%
Resource Recycling	Byproducts sent to landfill	2030	2,000 t
Procurement	Green Procurement Guidelines dissemination rate	Yearly	100%
Technology Innovation	Number of patent applications	Yearly	50 or more
Cybersecurity	Number of serious incidents due to cyberattacks	Yearly	None
Quality and Production	Reduction of quality-related loss (compared to FY2018)	2030	-80%
Safety and Health	Overall accident frequency rate	2030	0.0
Workstyles and Human Resources Development	Employee engagement	2030	4.0 pts
Diversity	Number of female managers	2030	10 or more
Coexistence with Community	Nakashinden green space bioindicator species	2030	35 species
Human Rights	Human rights education in position-specific education	Yearly	100%
Legal Compliance	Serious violations of laws and regulations	Yearly	None

Climate Change

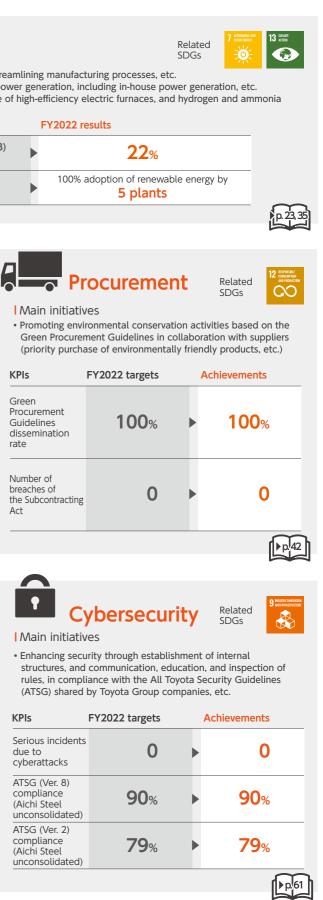
Main initiatives	 Promoting thorough energy saving activities by street Promoting utilization of clean energy from solar point Developing innovative technologies, including use of 	
KPIs	Targets	
CO ₂ emission reduction rate	2030: 50% reduction (compared to FY2013) 2050: Carbon neutrality	
Adoption of renewable energy	2030: 100% adoption of renewable energy by 1 plant	



- 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

KPIs	Achievements			
R&D expenses	¥4.40 billion (previous fiscal year: ¥4.34 billion)			
KPIs	FY2022 targets Achievements			
Number of patent applications	50	► <u>64</u>		

▶p.39



Priority Issues (Materiality)

Quality and Production

Main initiatives

Quality

Total number of complaints

to customers) Number of

to customers)

Reduction of

to FY2018)

quality-related

loss (compared

(release of defects

recurring complaints

(release of defects

KPIs

- 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

FY2022 targets

8

3

-35%



Electronic component line No. 3 completed in October 2022 in response to high demand accompanying an increase in electrified vehicles

Production

Achievements

Ach	levements	
•	19	Crude steel production
•	0	Forged proc production
•	-38 %	Electronic component production

Achievements

el n	891,000 t (previous fiscal year: 884,000 t)
oduct 1	225,000 t (previous fiscal year: 261,000 t)
. +	39.800.000 sets

systems) for internal auditors

In-house education on ISO 9001 (quality management

(previous fiscal year: 36,900,000 sets))

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Related

SDGs

Safety and Health

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



Health



Conducting training at the Denshinkan safety

Maternity uniform developed with safety function, and comfort in mind through discussions with female employees

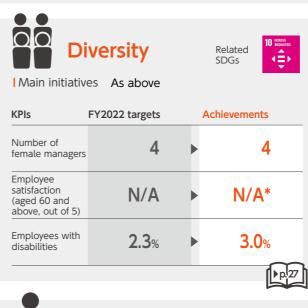
KPIs	FY2022 targets	Ac	hievements
Lost worktime rate due to injury or sickness	0.50%	•	1.44%
Lost worktime rate due to mental health	0.17%	•	0.38%
Rate of employees over appropriate weight (BMI of 25 and higher)	27 %		32 %

Workstyles and Human Resources Development

- Main initiatives Developing flexible working systems for balancing work with important life events highly motivated while playing active roles

Workstyles

KPIs	FY2022 targets	Achievements	
Days of annual paid leave taken	20 days	•	17.4 days
Monthly overtime (per person, office)	11.4 hours		13.4 hours
Employee satisfaction (out of 5)	N/A		N/A
Office workplace management survey (positive response rate)	79.0%		80.7%
Workplace capability survey (positive response rate)	71.0%		71.0%







- · 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 structures such as the whistle-blowing system

KPIs	FY2022 targets	Achievements	
Human rights education in job-specific training	100%	Þ	100%
			▶p.21

* Survey conducted once every two years, so no targets or achievements for FY2022

Safaty

Safety			
KPIs	FY2022 targets	Achievements	
Number of serious accidents	0	•	0
Overall accident frequency rate	0.60%	•	0.93%
Number of fires and explosions	0	•	1







Related SDGs



Related SDGs



• Developing and adopting workplace environments and human resources systems that enable diverse employees to be

• 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

Human resources development

Achievements

Investment in education (per person)

Time invested in education (per person)

24,000 yen (previous fiscal year: 21,000 yen)

10.9 hrs (previous fiscal year: 14.9 hours)





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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 space around our plant (about 20,000 m²)

• Promoting communication activities with local communities through social contribution activities

KPIs FY2022 targets Achievements Nakashinden 23 species **19** species indicator species Number of 10,000 6.581 volunteers (total) ▶p.38





AND STROM

Main initiatives

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

KPIs	FY2022 targets	Achievements	
Serious violations of laws and regulations	0		0
Serious failings of internal control system:	0	•	0
			▶p.62