



-Top Message-

Helping to Solve Social Issues as “the Most Environmentally-Friendly Steelmaker”

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President

Tangible results and adaptability to change

Our consolidated financial results for the year ended March 2025 saw net sales increase 2.7 billion yen year-on-year, marking a record high for the fourth straight year, while operating profit and net profit also increased for the third year in a row. Despite multiple events impacting the global economy, such as surging inflation and escalating geopolitical risks, we managed to achieve the levels we envisioned a year ago, giving us solid confidence in our future growth. I believe these results accurately show how our past efforts have improved our capabilities. However, our growth path is not yet over, and to respond effectively to changes in the external environment, it is important that we prepare a wide range of

scenarios for all contingencies.

In the automotive industry, a major customer for us in the specialty steel (electric furnace) sector, the diversification of consumer needs is driving demand for an increasingly broad range of materials and performance, as evidenced by the introduction of a wide variety of electric vehicles to the market. As a materials manufacturer, it is essential for us to be sufficiently flexible and prepared to provide our customers with the products and technologies they need in a timely manner.

Regarding specialty steel, being part of the Toyota Group gives us the advantage of fully understanding customer needs. In these rapidly changing times, all our executives, myself included, are engaging with our customers to understand their challenges, and strengthening our efforts to

respond effectively to their evolving needs.

Even if demand for gasoline vehicles in the Japanese market continues to fall, I believe we can continue to grow in the future by accurately identifying and responding swiftly to our customers' shift toward electrification. In this context, we align with Toyota Motor Corporation's "multi-pathway strategy" and consider it our mission to contribute as a materials provider. Beyond being a supplier to Toyota Motor Corporation, we have built a circular economy (CE) relationship through years of scrap reuse. I believe this is likely to become an even stronger asset for us going forward.

*Toyota Motor Corporation's strategy of offering a wide range of options from gasoline vehicles to all types of electrified vehicles (HEVs, PHEVs, BEVs, FCEV).

Medium-term Management Plan update to venture into unexplored areas

When the Aichi Steel Group 2024-26 Medium-Term Management Plan was announced in May 2024, expectations from customers and the market were not high, as reflected in the PBR (Price to Book Ratio) at that time. In order to continue contributing to society and meeting customer expectations in the future, our management team has engaged in numerous discussions on what our company should be and how we can achieve this. Having brushed up our management strategy and fleshed out some concrete measures, in February 2025 we announced our growth strategies that build on the updated Medium-term Plan. We have set out three core business strategies, along with the financial and capital strategies required to execute them.

The first business strategy is "contributing to

multi-pathways.” With the ongoing electrification of automobiles, there is growing demand for specialty steel, which is a critical component, to offer greater functionality such as higher strength and lower distortion, while also supporting high-mix, low-volume production. To meet these needs, we are working on establishing a next-generation steelmaking process. This is a large-scale once-in-50-years capital investment that includes the installation of a new large electric furnace. Once the project is completed, it will enable us to not only produce new steel grades for electric vehicles, but also harness our longstanding manufacturing capabilities to achieve outstanding quality and cost competitiveness. Furthermore, by being the first in the industry to reduce CO₂ emissions and achieve carbon neutrality (CN), we anticipate further growth through the additional value gained from new products such as green steel.

For forged products as well, we will achieve “green forging.”

*A Toyota Production System concept. The ratio of how efficiently valuable products are made by eliminating waste in the production process and making effective use of both time and materials.

● Management Targets

	FY2024 results	FY2024-26 Medium-term Management Plan	
		2026	2030
Net sales	299.2 billion yen	340 billion yen	400 billion yen
Operating profit	12 billion yen	15 billion yen	28 billion yen
ROE	3.2%	min. 4%	min. 8%
Equity ratio	58%	50-55%	Approx. 50%

capitalizing on the advantages of our integrated forging with steel making processes in order to streamline and consolidate production steps through material development. To improve the material yield rate* of parts, we will also expand into machining that used to be a later-stage process, optimizing our equipment to establish a fully integrated production system from rough material manufacturing through machining. In updating our facilities, we will promote DX with an eye on future labor shortages, and actively incorporate automation and labor-saving features. In addition, as a resource circulation-based company within the Toyota Group, we are well positioned to ensure a stable supply of steel scrap. We use our technology to recycle high quality steel scrap from the plants of group companies into high performance, high quality, and environmentally-friendly specialty steel, which we then forge and machine to provide customers with advanced parts. We believe that establishing this kind of circular economy system will become an even greater source of our competitiveness in the years ahead.

Our second strategy is to expand into the Global South. We have been operating our forging business overseas, primarily in North America and the ASEAN region, both growth markets. Going forward, we are turning our attention to the Global South, where demand for specialty steel and forged products for automobiles is projected to grow substantially, with initial emphasis on the Indian market. We have already established a foundation for our specialty steel business by investing in Vardhman Special Steels, a local special steel manufacturer, and making it an equity-method affiliate. As the next step, we will enter India in the forging business as well, aiming to further expand our overseas operations.

As in Japan, we will establish an integrated forging with steel making processes, as well as collaborate with Japanese automakers and Toyota Group companies to build an iron resource circulation system, thereby securing a competitive advantage in the Indian market.

Our third strategy is to provide solutions to social issues. Currently, in civil engineering infrastructure such as bridges and river facilities, aging facilities and the burden of maintenance and management have become major social challenges. To address this, the use of stainless steel, which is more durable than ordinary steel and has superior life cycle cost, is expected to grow in the future. Our company has the advantage of being able to handle not only manufacturing, but also design, engineering, and fabrication of components in an integrated manner. By further strengthening these capabilities, we will meet increasing demand and contribute to the longevity and functional maintenance of social infrastructure.

In the mobility field, targeting electric vehicles where future demand growth is anticipated, we are engaged in businesses including electronic components such as lead frames for power cards, which are essential inverter parts, as well as high-performance magnets used in motors. In the society field, we are further developing solutions to address social issues, such as autonomous driving systems focused on on-site logistics, and the iron fertilizer business, which is expected to contribute to resolving food supply problems. By helping to solve a broad range of social issues through the development and provision of these materials, we aim to achieve further business growth.

While these efforts have put us on track to achieve our FY2026 operating profit target of 15 billion yen, the 28 billion

yen target we have set for 2030 is still uncharted territory for us. For this reason, it is vital that we take a hard look at the core of our development and production efforts, maximize the evolution of our technologies, and work together as one to keep contributing to our customers. To achieve our goals, it is essential that we also deliver new value to customers for whom we are not currently providing sufficient value. We will act with a sense of urgency to expand our customer base and offer new solutions.

In our financial strategy, we have set forth measures to improve ROE (return on equity), with management targets of achieving 8% ROE and a PBR of 1.0x as early as possible by FY2030. We will increase operating cash flow by improving profits in steel and forged products and expanding sales in the stainless steel and Smart Company fields. At the same time, we will improve return on capital by investing for further growth and implementing a flexible financial and capital policy. To this end, we need to steadily deliver results through our business strategies, build our earning power, and channel this into investments for further growth and shareholder returns. In an equipment-intensive industry like ours, significant funding is needed for capital investment. To achieve our 8% ROE target, we will place greater emphasis on returns on invested capital and work to make more effective use of our funds.

Regarding the enhancement of shareholder returns, we will raise the dividend payout ratio from 30% to 40%, and provide a total of about 40 billion yen in additional returns, comprising about 30 billion yen in share buybacks and about 10 billion yen in special dividends. In addition, we have implemented a stock split to create a more accessible investment environment. Going forward, we will aggressively pursue our

capital strategy to increase corporate value, including exploring a shift from a capital structure weighted toward retained earnings to one that achieves an optimal balance by incorporating borrowings.

For this update to our Medium-term Management Plan, it is crucial that the entire organization comes together as one. To this end, we have adopted the slogan “Contributing to society as the most environmentally-friendly steelmaker” to align all employees around a shared vision and common direction. This expresses our desire to keep providing useful products to our customers while staying true to the steelmaking DNA at our company’s core.

People-oriented management

People are essential to realizing our growth strategies. Since our founding, we have inherited the basic stance of “people-oriented management.” It is the existence of the people who work at our company that has made manufacturing possible, and it is the accumulation of their ingenuity and effort that has driven evolution, enabling our company to survive and develop. To continue growing as a company toward new goals, we need a diverse range of professional individuals, including veterans with experience, knowledge, and skills, mid-career employees with drive and leadership ability, and young people who can tackle tough challenges with vigor. I believe that by having veterans, mid-career workers, and younger employees collaborate on initiatives to achieve our growth strategies, we can pass down skills and expertise while also creating a rewarding workplace. In developing people, I find problem-solving through real work to be the most effective way. Our goal is for each individual



continue to take on challenges, deliver results, and maximize their potential, so that they can experience personal growth that in turn drives the company’s growth. I believe everyone can grow by engaging in stimulating work while clarifying their own mission from the perspective of “how to create value that serves customers and contributes to society.”

We are also focusing more than ever on investing in our people, such as by creating a pleasant working environment. Specifically, we are improving the workplace environment by implementing thorough heat countermeasures and enhancing breakroom facilities in our plants, and the living environment by establishing new dormitories for single employees. From FY2025, we are also focusing on health management as a priority initiative.

Last year, aiming to become a “good and rewarding company to work for,” we gathered wide-ranging feedback from all employees on our company’s strengths and challenges, which revealed some issues in areas such as supervisors’ management skills and the sharing of goals and values. By developing our leaders and cultivating employee unity, we will strengthen the foundation needed for everyone



to work as one in executing our growth strategies.

Environmentally-friendly management

Producing our specialty steel and forged products requires a lot of energy. Toward carbon neutrality by 2050, we are therefore targeting a 50% reduction in CO₂ emissions by FY2030 compared to FY2013 levels, actively promoting energy-saving activities on production lines, rigorous loss reduction through measures like equipment shutdowns, and renewable energy use.

To date, we have installed solar power generation facilities at three plants, and are developing hydrogen-fueled steel heat treatment technology, with steady results in reducing CO₂ emissions. Furthermore, in collaboration with our supply chain, we are actively engaging in industry-wide initiatives, including joining the Central Japan Hydrogen and Ammonia Association and working with electric and blast furnace companies to formulate guidelines for the promotion of green steel.

Moreover, to promote resource circulation, in FY2024 we

invested in Circular Core, a general incorporated association established by the Toyota Group to help spread and expand the circular economy. In FY2025, we will further strengthen our efforts by establishing a biodiversity policy and disclosing information based on the TNFD (Taskforce on Nature-related Financial Disclosures).

In recent years, we have been increasingly required to show greater commitment and attention to environmental and human rights issues, especially in our overseas operations and supply chains, and we will accelerate our efforts more than ever to realize a sustainable global environment and society.

Maintaining an attitude of sincere engagement with all stakeholders

We are now in an era where the stock market evaluates corporate value based on PBR. We need to actively and continually think about how we can contribute to increasing shareholder value while staying true to our own beliefs. This answer must come from management, and naturally, we will be held accountable if we fail to deliver results. What is needed is to create both economic value in the form of sales and profits, and social value. To this end, we believe the most important thing is to deepen mutual understanding by listening to all our stakeholders, including shareholders, and sincerely communicating our own intentions.

Together with our diverse stakeholders, we will flexibly promote initiatives needed for value co-creation aimed at enhancing corporate value over the medium to long term.

In terms of governance, as the management leader, I will ensure appropriate risk-taking and decision-making, while

strengthening the Board of Directors, the foundation that supports these efforts, to enhance its functionality and ensure transparency.

I have always valued the idea that a company's starting point is to serve its customers and society. This is a stance I have consistently held since becoming president. I believe that meeting the expectations of our customers and society first is the foundation of business, and we must never get this wrong.

Our role as a materials manufacturer is to solve a wide range of customer challenges. Our corporate goal is to provide solutions to more customers by leveraging our strengths in technology and experience, especially in mass production. Through these efforts, we seek to earn your trust by achieving steady growth.

Our company was established from the ground up by Kiichiro Toyoda to manufacture specialty steel (electric furnaces), essential for domestic automobile production and large-scale manufacturing. We have inherited his founding spirit, "Great cars are made with great steel," and developed it into our mission slogan, "A great society comes from great materials. We will continue contributing to society while steadily growing as a steelmaker, leveraging our technologies that contributed to the development of automobiles to provide materials not only for automobiles but also for solutions to a wide range of social issues.

We look forward to your continued support.

President

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