

Risk Management

Basic approach

Business environments are becoming increasingly diverse and are experiencing major changes, including climate change, resource depletion, tension in international affairs, large-scale disasters and spread of the pandemic, supply chain disruptions and other issues impacting business activities, and instability of society due to growing divides. These social and environmental challenges are having a severe impact on companies' value creation and business models. Such conditions have made risk management one of the most important challenges for business management, so Aichi Steel is working to minimize risks by both enriching and enhancing risk management. Specifically, we classify potential impacts on business management as either "risks" (matters yet to materialize) or "crises" (emergencies that have materialized). We then focus on preventive measures that eliminate risks before they become crises, and on prompt and accurate initial and recovery responses that minimize damage in the event of a crisis occurring.

Examples of specific initiatives

Twice a year, at the midpoint and at the end of the fiscal year, the Executive Committee discusses and approves the risk management progress review, annual policy, and approach going forward.

1. Reevaluation of major risks and consideration of countermeasures

After acquiring IATF 16949* certification in fiscal 2022, we took the opportunity to reevaluate our major risks, and to start verifying and improving the effectiveness of companywide business continuity plans as measures to take if the risks materialize.

*An international standard for quality management systems specialized for the automotive industry and used by many of the world's automakers as their global procurement standard for automotive parts

2. Disaster management

(1) Awareness raising

We revised the content of our Guide to Emergency Disaster Management and re-familiarized all employees with the basic actions to take in the event of an earthquake or other disaster.

(2) Measures against heavy rains and storm surges

As a measure against flood damage from heavy rains, we installed new water barriers at service entrances and other places within the Chita Plant. We are also working on measures against storm surges that accompany large typhoons, and we are conducting internal investigations toward incorporating those measures into our next Medium-term Management Plan.

(3) Emergency drills

We conduct companywide emergency drills twice a year. In fiscal 2022, we conducted training for the first time in collaboration with the Tokai City Fire Department, from initial efforts to extinguish a fire to use of fire hoses. To improve crisis response and judgment capabilities in emergencies, we also conducted a new role-playing and map-based simulation as a practical training for an earthquake in the Nankai Trough. By keeping the scenario secret until the training, we were able to raise awareness of disasters while helping participants to understand the importance of appropriate and prompt responses in a constantly changing situation.



Map-based simulation of a large earthquake in the Nankai Trough



Water barriers installed as a measure against flood damage from heavy rains, etc.

Strengthening of risk responses

We are working to strengthen risk management to enable rapid responses in an increasingly complex business environment that includes a heightening of geopolitical risks and increasingly problematic cyberattacks and climate change. In addition to re-verifying the effectiveness of our countermeasures to individual risks that have materialized, we are gathering more information than ever, on a global scale, about risks that could materialize in the future (potential risks). While risk responses were previously conducted mainly by our functional divisions, we intend to strengthen collaboration with the business divisions going forward as we work to develop mechanisms for better identifying risks and taking appropriate action. By continuing to strengthen our risk response capabilities and reduce loss when risks materialize, we are striving to sustainably improve corporate value.