

Kitaeru Company

Main Products, No.1

- Hot-cold-forged products
- Machined products (engine, chassis and drivetrain components, etc.)
- No 1 domestic production for a single forging plant

To exceed the expectations of our customers, we will maintain close relationships with them, anticipating their needs faster and more accurately than our rivals, and delivering the world's No. 1 total cost performance with an unwavering commitment to safety and quality. To accomplish this, we will continue to initiate changes with high aspirations and firm resolve, fully leveraging the competitive advantage of our integrated forging with steel making processes with machining to further enhance our manufacturing capabilities.

Executive Vice President
Kitaeru Company President

Motoshi Nakamura



Strengths

- Steel grade development, steel manufacturing, and forged product manufacturing based on advanced technical capabilities honed by leveraging our integrated forging with steel making processes
- Comprehensive ability to offer integrated services from steel materials to forging and machining, meeting diversifying customer needs through total solutions.
- Environmental advantage from being located in the Chubu region, a hub of the automotive industry, reducing our CO₂ emissions from transportation

Opportunities

- In regions where electrification infrastructure is not yet developed and under harsh operating conditions, the strengths of vehicles with internal combustion engines will be leveraged, so a certain level of sales of engine and transmission parts is expected
- Overseas business growth due to expansion of automotive parts markets in emerging countries, primarily in the Global South

Risks

- Decrease in automobiles fitted with forged products due to EV shift
- Decreasing sales volume and intensifying competition due to shrinking domestic market
- Localization of parts procurement and accelerated reduction of domestic production due to stricter import tariffs on finished vehicles and automotive parts

Business Environment

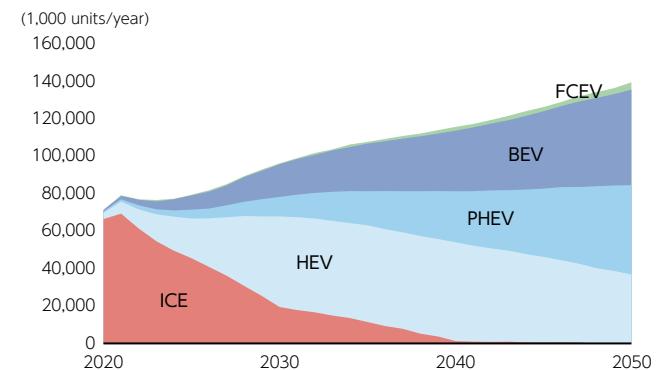
While demand remains largely robust in the automotive industry, our primary customer sector, volume decreases are expected due to changes in automobile mechanisms, requiring us to respond in a timely manner to changes in each market.

Regionally, in Europe and North America, demand for BEVs (battery electric vehicles) has declined due to factors such as government subsidy cuts in various countries, while HEVs (hybrid electric vehicles) are being reevaluated in terms of practicality, convenience, and economy. BEVs and HEVs/ PHEVs (plug-in hybrid vehicles) are expected to coexist going forward. However, electrification and the progress of autonomous driving technology are global trends, with Chinese manufacturers in particular strengthening their presence in terms of both technical capabilities and sales. We adapt to evolving market conditions by delivering the required forged products promptly and with high quality and reasonable prices, and continuing to add value for our customers.

Value to society

To support the basic automobile functions of "running, turning, and stopping," we provide forged products with excellent quality, cost, and delivery times through our integrated and highly efficient manufacturing process from steel material to forged products and machining. In this way, we contribute to the mobility society. We also contribute to automobile decarbonization by providing products that support multi-pathways in automobiles, including e-Axle components, which are growing in demand with the spread of electric vehicles.

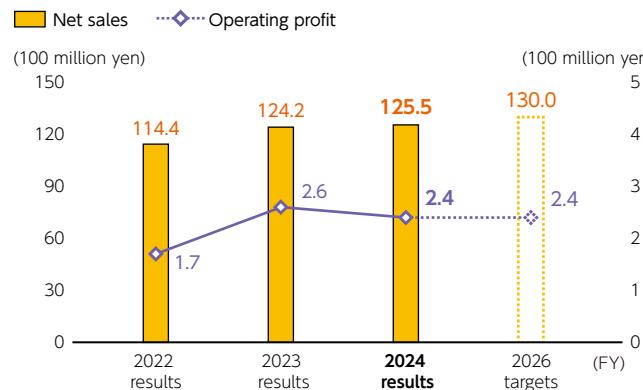
Global new vehicle sales composition



Source: JAMA Scenario for Carbon Neutrality by 2050, CNF Scenario Version

FY2024 results

To strengthen our ability to respond to volume fluctuations, we are working to improve profitability through the reform of “buying, making, and selling.” Particularly in “making,” we have retired aging equipment and clarified quality production conditions to enhance productivity. Despite a decrease in sales volume, the Kitaeru Company’s overall sales revenue rose year on year, due in part to sales price increases.

● Net sales, operating profit**Medium-term Management Plan update and future initiatives****— One-stop supplier**

By handling everything from rough-shaped materials to machining, we eliminate the need for customers to search for individual suppliers, enabling “one-stop procurement” through our seamless process. This technology also supports the production of components for next generation e-Axes, contributing to the growth of electric vehicles.

— Green forging

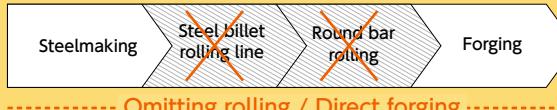
We will evolve to green forging by fully leveraging our material development capabilities, one of the strengths of our integrated forging with steel making processes, reducing CO₂ emissions through process elimination and consolidation, and creating unique value by combining this with enhanced cost competitiveness.

● Green forged product system

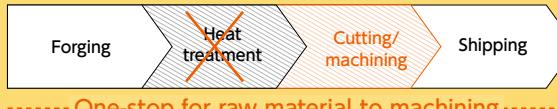
Material development		
High-strength steel	Achieve compact size	
Low-distortion steel	Achieve noise reduction	
Heat treatment-free steel	Achieve CO ₂ reduction	

Continued engine production

[Integrated forging with steel making processes]

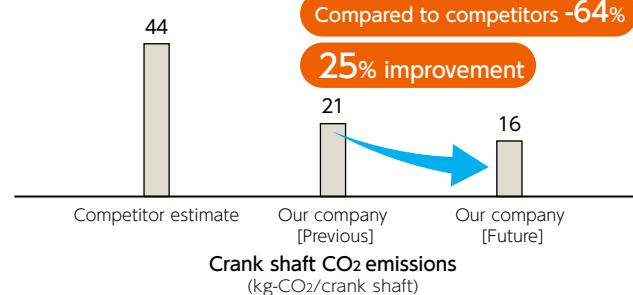
**Electric vehicle expansion**

[Rough-to-machining integration]



Compared to competitors -64%

25% improvement

**— Expansion of overseas business**

In addition to utilizing steel material from Vardhman Special Steels, we will consider entering India with our forging business and growing our presence in the expanding market of the Global South.

TOPICS

Forged Connecting Rod Production Line No. 2 launched at Aichi Forge USA (AFU), the Toyota Group's sole North American forging supplier

AFU, our US subsidiary, began operating Forged Connecting Rod Production Line No. 1 in July 2022 and Line No. 2 in December 2024. Through the transfer of facilities from Toyota do Brasil, we have strengthened our production system near areas of demand in North America while effectively utilizing group assets. The connecting rods produced are supplied to Toyota's North American bases, to help achieve engine downsizing and increased strength. By supplying products in areas close to actual demand, we are also contributing to the reduction of CO₂ emissions during transportation. Going forward, we will continue to support the future of the automotive industry by helping the creation of ever-better car and fulfilling AFU's mission of securing a stable supply of engine parts.



Forged connecting rod line in operation