

Kitaeru Company

We will contribute to all of society by (1) evolving our integrated and highly efficient manufacturing processes, from steel to forging and machining, to meet the basic performance requirements of automobiles, namely, running, turning, and stopping, and (2) providing products and technologies that meet the needs of an increasingly diverse mobility society headed toward a carbon-neutral era.



Executive Officer
Kitaeru Company
President
**Yoshikazu
Tsuchida**



Business Strengths

- Development of steel grades, manufacture of steel materials, and manufacture of forged products based on high technological capabilities honed through integrated forging with steel making processes
- Wide range of comprehensive capabilities, from steel materials to forging and machining, to meet diversifying customer needs with total solutions
- Strong partnerships with automobile manufacturers
- Robust global connectivity due to consolidation of information from five overseas bases and a mutually complementary system

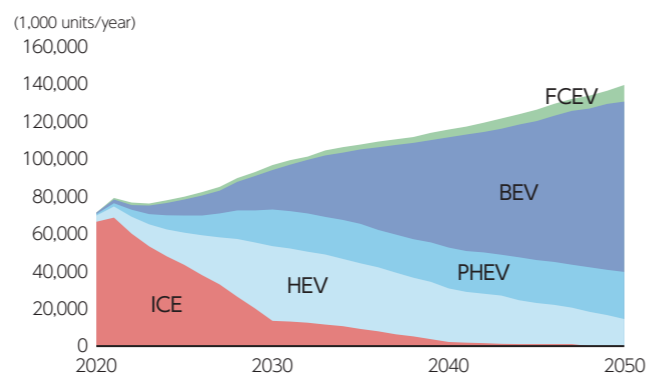


Examples of forged products handled

Business Environment

In the automotive industry, a major customer of ours, current demand remains generally firm. Going forward, the market is expected to continue to expand, supported by strong demand from emerging economies. By region, in the US and Europe, BEV (battery electric vehicle) sales are slowing while PHEV/HEV (plug-in hybrid/hybrid vehicle) sales continue to increase. In China, demand for PHEVs is expected to increase along with that for BEVs. With our multi-pathway (omnidirectional) strategy, we will adapt to the changing market environment by continuing to serve our customers, offering attractive products that meet market needs.

◆ Global new vehicle sales composition (passenger cars)



Source: JAMA scenario for carbon neutrality by 2050

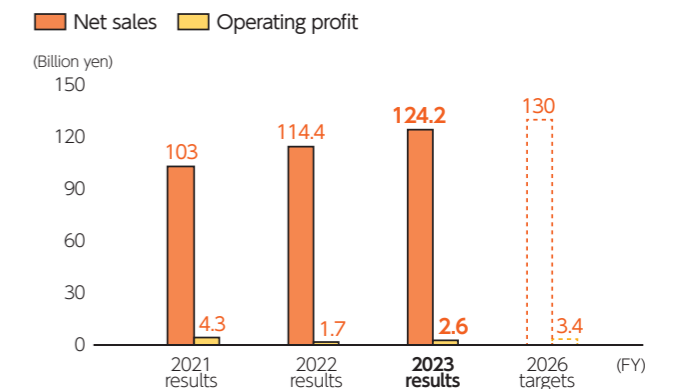
Opportunities and Risks

Opportunities	Risks
<ul style="list-style-type: none"> • Demonstration of our strength in manufacturing ("high quality at low cost" and "flexible production") in an increasingly competitive domestic market • Securing sales volume of internal combustion engine related parts due to increased demand for PHEVs • Growth of overseas business due to expansion of overseas auto parts markets (especially the Global South, emerging economies) • Strengthening profit structure due to selection and concentration of production systems, including business partners for automotive forged products 	<ul style="list-style-type: none"> • Drop in number of forged products installed due to shift to electric vehicles • Fall in sales volume due to shrinking domestic market, intensifying competitive environment • Loss of business opportunities due to growing geopolitical risks

FY2023 Results

Amid ongoing uncertainty over automobile production volumes, we have worked to improve profitability through selling, making, and buying in order to strengthen our ability to deal with volume fluctuations. The Kitaeru Company as a whole achieved year-on-year growth in sales and profit thanks to (1) some progress in passing on the continued high prices of raw materials and energy to selling prices, (2) increased sales volume supported by firm demand, and (3) significant results in manufacturing cost reductions by improving quality and productivity through strengthening manufacturing capabilities.

◆ Net sales, operating profit



Initiatives for the new Medium-term Management Plan

We will streamline our business structure in order to strengthen our earning power and secure our growth strategy.

Expanding orders for strategic product lines

To strengthen our ability to respond to the "home and away" policies of our major customers and the multi-pathways of the automobile industry, we are formulating strategic product lines and optimizing our production allocation. In particular, as part of our strategy addressing the progress of electrification of automobiles, we must work on new parts related to electric axles, and will participate from the customer's development stage to ensure that we win orders.



Output shaft for electric axles

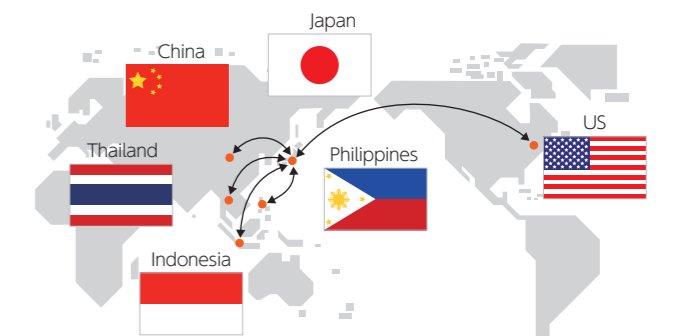
Adapting to reorganization of forging industry

Although the forging industry is characterized by having many low-mix, low-volume producers, the number of forged products installed in automobiles is expected to decrease due to the electrification and downsizing of automobiles, and the number of product types will be reduced. We therefore need to focus on the industry restructuring that will accompany this trend. From the perspective of helping to sustain our supply chains, we will work to develop next-generation forging methods for high-mix, low-volume production and further expand

our domestic market share.

Expansion of overseas business

We will strive to expand orders at our global sites by firmly capturing demand in emerging economies, where continued growth is expected. At the same time, we will collaborate with our specialty steel partner in India to make our products more cost competitive and secure profits in growing markets. We will also focus on increasing our adaptability to change by strengthening our manufacturing capabilities, such as improving labor productivity and quality.



Overseas manufacturing sites and their collaboration structure

Creation of social value

We contribute to the realization of next-generation mobility aimed at decarbonization through multi-pathways with forged automotive products that excel in QCD (quality, cost, and delivery). We also promote sustainable manufacturing, such as with energy conservation and logistics reform in the production process.