NETUREN

Annual Report 2022

For the year ended March 31, 2022

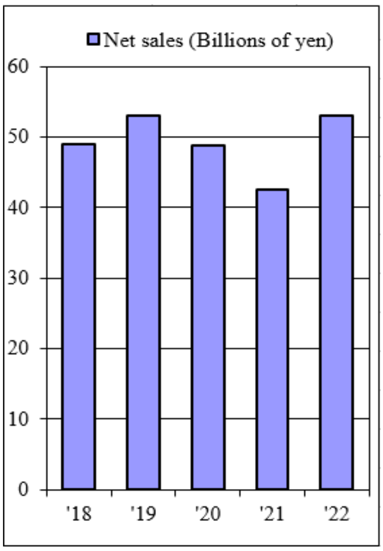
NETUREN CO., LTD.

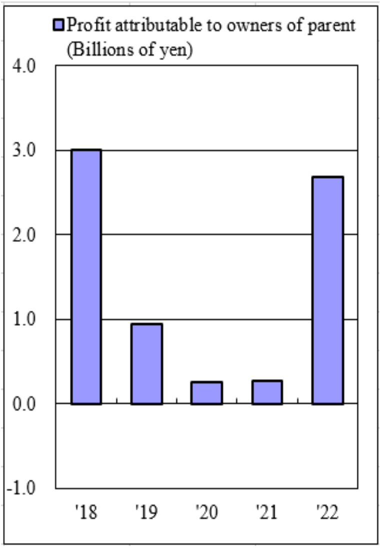
CONTENTS

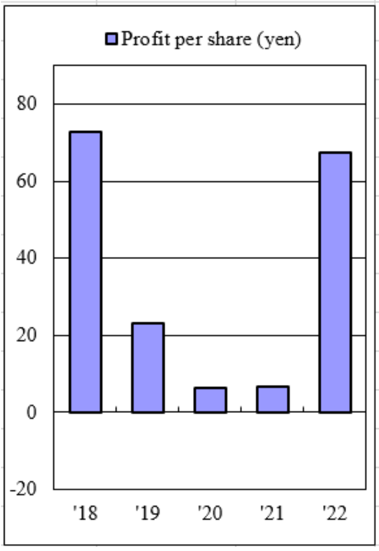
FIVE－YEAR SUMMARY

Neturen Co., Ltd. and Consolidated Subsidiaries
Five years ended March 31

	Millions of yen				
	2018	2019	2020	2021	**2022**
Net sales	¥48,980	¥53,015	¥48,806	¥42,567	**¥53,004**
Operating profit	3,656	3,569	2,087	920	**3,704**
Profit	3,479	1,507	719	615	**3,125**
Profit attributable to owners of parent	3,003	950	250	268	**2,690**
Comprehensive income	4,768	(127)	(594)	1,351	**5,420**
Total assets	82,110	80,650	76,277	75,574	**82,003**
Total Net assets	66,120	64,598	62,772	62,714	**66,859**
Per share of common stock					
Profit	¥72.73	¥23.21	¥6.14	¥6.59	**¥67.45**
Cash dividends	22.00	25.00	22.00	14.00	**30.00**
Stockholders' equity	1,458.40	1,427.94	1,379.16	1,410.69	**1,494.67**







TO OUR SHAREHOLDERS

The Group, consisting of the Company (Neturen Co., Ltd.), 18 subsidiaries and 4 affiliates, manufactures and sells prestressing steel bars and deformed steel bars for prestressed concrete used in civil engineering and construction; Induction Heated, Quenched and Tempered Wire (ITW) used mainly for suspension springs of automobiles and motorcycles, auto parts and construction machine parts; and induction heating equipment for various industries. The group also provides heat treatment services for major critical safety parts of automobiles, machine tools and construction equipment.

Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review, the Japanese economy gradually began to recover from the economic stagnation due to the novel coronavirus disease (COVID-19). However, the outlook remains uncertain with rampant new mutant viruses, although vaccination rollout has progressed. In addition, stagnant production activities due to tight supply and demand of parts such as semiconductors and soaring steel prices affected corporate activities. Furthermore, Russia's invasion of Ukraine has been causing great turmoil in the world economy.

Under these circumstances, the Group has been enhancing its corporate value by promoting the basic polices set forth in its 15th medium-term management plan “Change!! New NETUREN 2023” (a plan covering the three years from April 2021 to March 2024). The basic policies of the 15th medium-term management plan are as follows:

(1) Establishing a profit base by further strengthening the competitiveness of core businesses and introducing new technologies, new products, and new businesses to the market;

(2) Improving our information development capabilities by promoting digitalization through the establishment of the N-DX (NETUREN Digital Transformation) system;

(3) Placing the SDGs at the center of management, promoting CO2 reduction, and contributing to the creation of a sustainable society; and

(4) Producing human resources who can strengthen the Group’s sales and marketing capabilities globally.

In addition, the Group has done its utmost to secure orders and further promoted the cost reduction measures that have been developed under the circumstances of the spread of COVID-19.

As a result, net sales for the fiscal year under review were ¥53,004 million (up 24.5% year on year), operating income was ¥3,704 million (up 302.6% year on year), ordinary income was ¥4,418 million (up 199.4% year on year) and profit attributable to owners of parent was ¥2,690 million (up 903.4% year on year).

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the fiscal year under review.

Results by business segment are as follows.

1) Specialty Steel and Wire Products Division

Net sales of civil engineering and construction-related products increased year on year due to strong construction demand, etc.

Net sales of automobiles-related products increased year on year following recovery from the global market slowdown in the automotive industry.

Net sales of construction equipment-related products increased year on year, mainly due to increased sales volume in Japan.

As a result, net sales were ¥31,205 million (up 27.2% year on year) and operating income was ¥1,317 million (up 92.2% year on year).

2) Induction Heating Division

Net sales of induction heat treatment-related services increased year on year due to the recovery in orders from industries such as machine tools and construction machinery.

Net sales of induction heating equipment and related services increased year on year because demand in capital investment remained on a recovery trend.

As a result, net sales were ¥21,666 million (up 21.1% year on year) and operating income was ¥2,327 million (up 1,267.7% year on year).

3) Others

This segment covers activities such as real estate leasing business that are not included in the reportable segments.

Rental properties owned by the Company are stably contributing to the Company’s business performance, albeit on a small scale.

As a result, net sales were ¥132 million (up 1.2% year on year), and operating income was ¥54 million (down 5.7% year on year).

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review were ¥82,003 million (up 8.5% year on year). This was mainly due to increases in cash and deposits and trade receivables, despite a decrease in non-current assets.

Total liabilities at the end of the fiscal year under review were ¥15,144 million (up 17.8% year on year). This was mainly due to increases in trade payables and income taxes payable and decreases in borrowings.

Net assets at the end of the fiscal year under review were ¥66,859 million (up 6.6% year on year). This was mainly due to an increase in retained earnings as a result of improved profit and an increase in foreign currency translation adjustment.

As a result, the equity ratio as of the end of the fiscal year under review stood at 72.7%.

(3) Overview of Cash Flows for the Fiscal Year under Review

The balance of cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review was ¥18,099 million (an increase of ¥4,790 million from the end of the previous fiscal year), the breakdown of which is as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥6,335 million (¥3,969 million in net cash provided in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥4,467 million, and an increase in in trade payables of ¥1,303 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥40 million (¥758 million in net cash used in the previous fiscal year).

This was mainly due to proceeds from sales and redemption of investment securities of ¥556 million, despite purchase of property, plant and equipment of ¥983 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,970 million (¥1,595 million in net cash used in the previous fiscal year).

This was mainly due to Repayments of long-term borrowings of ¥541 million, and dividends paid of ¥877 million.

(Reference) Trends in cash flow-related indicators

	Fiscal years ended March 31				
	2018	2019	2020	2021	2022
Equity ratio	72.8	72.2	73.8	74.4	72.7
Equity ratio based on market value	54.4	45.1	37.7	32.1	28.8
Interest-bearing debt to cash flow ratio	0.3	0.8	0.5	0.7	0.3
Interest coverage ratio	170.6	109.7	167.5	107.4	145.4

(Notes) 1. Calculation method of each indicator

1) Equity ratio: Equity / total assets

2) Equity ratio based on market value: Total market value of shares (closing price of stock × total number of issued and outstanding shares) / total assets

3) Interest-bearing debt to cash flow ratio: Interest-bearing debt / cash flow from operating activities

4) Interest coverage ratio: Cash flow from operating activities / interest payments

2. Total market value of shares is calculated based on the number of issued and outstanding shares excluding treasury shares. Cash flow from operating activities is net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to borrowings recorded on the Consolidated Balance Sheets. The amount of interest payments is the amount of interest expenses recorded on the Consolidated Statements of Income and Comprehensive Income.

(4) Future Outlook

It is expected that economic trends in Japan and overseas will remain on a gradual recovery track. However, it is difficult to foresee the impact of COVID-19 on the economy in the future with no time frame for the end of the disease in sight, and lockdowns in some cities in China has begun to disrupt production and logistics.

Additionally, there are still concerns about production stagnation due to a shortage of parts such as semiconductors, cost increases due to soaring material costs such as steel materials, electricity costs and logistic costs. Furthermore, the turmoil in the world economy over the situation in Ukraine has spurred soaring resource and energy prices, deteriorating the business environment of companies. Since it is expected that it will take some time for these concerns to be resolved, we anticipate that the unpredictable situation will continue for some time and that the business performance of the Group will be affected.

Under these circumstances, the Group will do its utmost to secure orders and further promote cost reduction measures and the transfer of the cost increase, such as material cost, to the selling price. Through these efforts, we forecast consolidated net sales of ¥60,000 million, operating income of ¥3,600 million, ordinary income of ¥4,200 million, and profit attributable to owners of parent of ¥2,400 million for the fiscal year ending March 31, 2023.

In addition, the Group will enhance our corporate value by promoting the basic polices set forth in its 15th medium-term management plan "Change*!!* New NETUREN 2023" (a plan covering the three years from April 2021 to March 2024).

These forecasts are based on information presently available and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.

Katsumi Omiya
Representative Director, Member of the Board
President and Chief Executive Officer

FORMULATION OF THE 15th MEDIUM-TERM MANAGEMENT PLAN

Overview of 15th Medium-term Management Plan

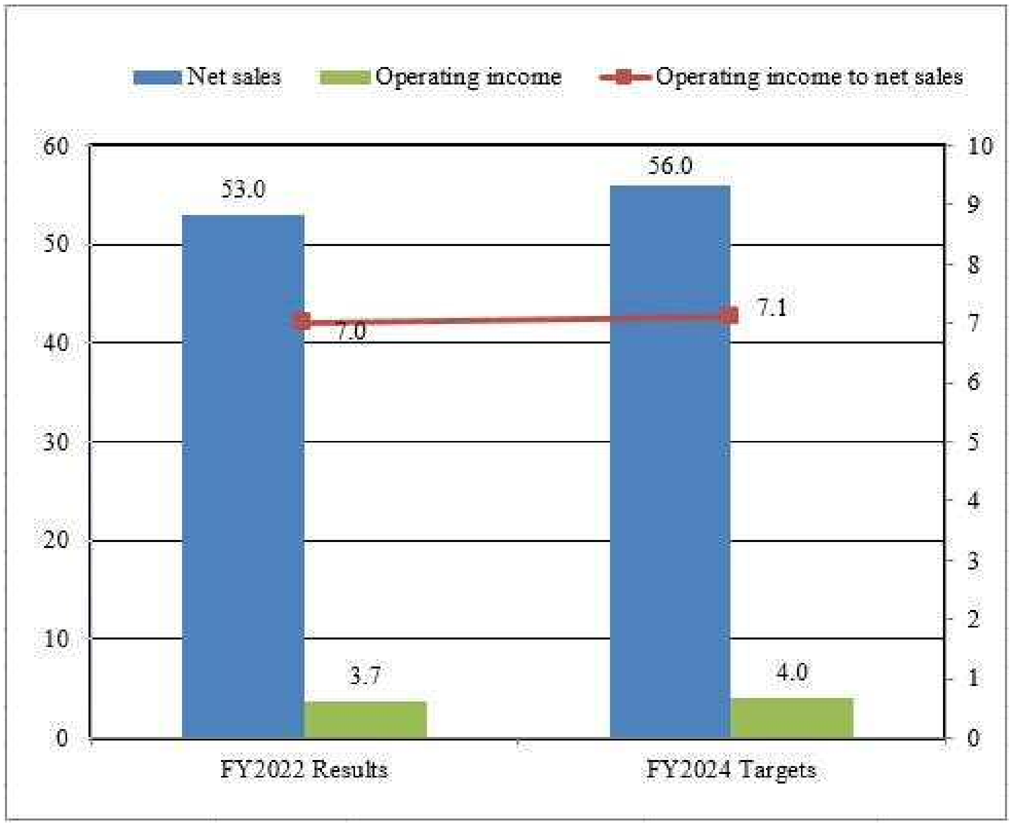
Basic policy: Aim to "contribute to a sustainable society" and "increase corporate value" as first phase of achieving NETUREN VISION 2030 "Evolution and Breakthrough"
Period : April 2021 to March 2024 (Three years)
Slogan : "Change*!!* New NETUREN 2023"
Objective : Initiate change internally and externally, and evolve.
Create a new Neturen by uniting the collective wisdom and power of the Group

Four strategies of 15th Medium-term Management Plan

Strategy 1: Establish revenue base by further enhancing competitiveness of core business, and bringing new technologies, products and businesses to market.
Strategy 2: Promote digitization and improve ability to roll out information through N-DX system, aim for full operation in three years' time.
Strategy 3: Identify SDGs as the core of management, promote reduction of CO2 and contribute to the creation of a sustainable society.
Strategy 4: Develop human resources that enhance the Group's sales and marketing capabilities globally

Consolidated Management Targets

Major management indicators (consolidated)	FY2021 Results	FY2022 Results	FY2024 targets
Net sales	¥42.5bn	¥53.0bn	¥56.0bn
Operating income...........................	¥0.9bn	¥3.7bn	¥4.0bn
Operating income to net sales	2.2%	7.0%	7.1%
Return on equity (ROE)................	0.5%	4.6%	5.0% or more
Return on asset (ROA)	1.9%	5.6%	5.5% or more



CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	**2022**
ASSETS		
Current assets:		
Cash and deposits(Note2)	¥14,675	**¥19,213**
Notes and accounts receivable - trade(Note2)	10,717	—
Notes and accounts receivable - trade, and contract assets(Note11)	—	**12,696**
Electronically recorded monetary claims (Note2)	3,640	**2,954**
Securities(Note2, 3)	383	**338**
Finished goods	885	**1,170**
Work in process	1,570	**1,781**
Raw materials and supplies	2,217	**2,847**
Other	1,389	**1,720**
Total current assets	35,478	**42,723**
Non-current assets:		
Property, plant and equipment:		
Land	9,866	**9,848**
Buildings and structures	21,498	**21,938**
Machinery, equipment and vehicles	50,040	**51,147**
Construction in progress	1,081	**627**
Other	2,643	**3,212**
Accumulated depreciation	(55,968)	**(58,707)**
Total property, plant and equipment	29,163	**28,067**
Intangible assets:		
Leasehold interests in land	639	**669**
Goodwill	4	—
Other	141	**108**
Total intangible assets	785	**778**
Investments and other assets:		
Investment securities (Note2, 3)	8,686	**8,737**
Retirement benefit asset (Note10)	86	**71**
Deferred tax assets (Note5)	126	**135**
Other	1,328	**1,568**
Allowance for doubtful accounts	(79)	**(79)**
Total investments and other assets	10,147	**10,434**
Total non-current assets	40,096	**39,280**
Total assets	75,574	**82,003**

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	**2022**
LIABILITIES		
Current liabilities:		
Notes and accounts payable – trade (Note2)	¥2,793	**¥3,755**
Electronically recorded obligations – operating (Note2)	3,008	**3,451**
Short-term borrowings (Note4)	1,486	**1,412**
Lease obligations (Note4)	30	**69**
Income taxes payable (Note5)	268	**974**
Provision for bonuses	699	**708**
Provision for bonuses for directors (and other officers)	12	**41**
Other(Note11)	2,091	**2,611**
Total current liabilities	10,391	**13,026**
Non-current liabilities:		
Long-term borrowings (Note4)	1,268	**738**
Provision for share awards for director (and other officers)	3	**7**
Lease obligations (Note4)	170	**429**
Deferred tax liabilities (Note5)	389	**335**
Retirement benefit liability (Note10)	562	**450**
Other	75	**156**
Total non-current liabilities	2,469	**2,117**
NET ASSETS		
Shareholders' equity:		
Share capital	6,418	**6,418**
Capital surplus	4,698	**2,407**
Retained earnings	47,415	**49,174**
Treasury shares	(3,106)	**(790)**
Total shareholders' equity	55,425	**57,209**
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,141	**1,327**
Foreign currency translation adjustment	(452)	**959**
Remeasurements of defined benefit plans	118	**150**
Total accumulated other comprehensive income	807	**2,436**
Non-controlling interests	6,481	**7,212**
Total net assets	62,714	**66,859**
Total liabilities and net assets	75,574	**82,003**

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	**2022**
Net sales(Note11)	¥42,567	**¥53,004**
Cost of sales	34,474	**41,712**
Gross profit	8,092	**11,292**
Selling, general and administrative expenses (Note6)	7,172	**7,588**
Operating profit	920	**3,704**
Non-operating income		
Interest and dividend income	191	**196**
Share of profit of entities accounted for using equity method	118	**143**
Financial and subsidy income	151	**136**
Gain on sales of investment securities	530	**214**
Impairment loss(Note8)	(772)	**(241)**
Other net(Note7)	59	**312**
Other income (expenses) – net	278	**762**
Profit before income taxes	1,198	**4,467**
Income taxes (Note5)		
Current	482	**1,245**
Deferred	100	**96**
Total income taxes	583	**1,342**
Profit	615	**3,125**
Profit attributable to:		
Profit attributable to owners of parent	268	**2,690**
Profit attributable to non-controlling interests	347	**434**
Other comprehensive income (Note9)		
Valuation difference on available-for-sale securities	643	**(524)**
Foreign currency translation adjustment	(98)	**1,921**
Remeasurements of defined benefit plans, net of tax	177	**31**
Share of other comprehensive income of entities accounted for using equity method	13	**867**
Total other comprehensive income	735	**2,295**
Comprehensive income	1,351	**5,420**
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,006	**4,319**
Comprehensive income attributable to non-controlling interests	344	**1,101**

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2020	6,418	4,714	47,718	(2,641)	56,209
Cumulative effects of changes in accounting policies					
Restated balance	6,418	4,714	47,718	(2,641)	56,209
Changes of items during period					
Dividends of surplus			(571)		(571)
Profit attributable to owners of parent			268		268
Purchase of treasury shares				(506)	(506)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Disposal of treasury shares		(15)		41	25
Other					
Balance at March 31, 2021	**6,418**	**4,698**	**47,415**	**(3,106)**	**55,425**
Cumulative effects of changes in accounting policies			**(53)**		**(53)**
Restated balance	**6,418**	**4,698**	**47,361**	**(3,106)**	**55,371**
Changes of items during period					
Dividends of surplus			**(877)**		**(877)**
Profit attributable to owners of parent			**2,690**		**2,690**
Purchase of treasury share				**(0)**	**(0)**
Change in ownership interest of parent due to transactions with non-controlling interests					
Disposal of treasury shares		**(9)**		**35**	**25**
Cancellation of treasury shares		**(2,280)**		**2,280**	—
Other					
Balance at March 31, 2022	**6,418**	**2,407**	**49,174**	**(790)**	**57,209**

	Millions of yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2020	¥495	¥(367)	¥ (58)	¥6,493	¥62,772
Cumulative effects of changes in accounting policies					
Restated balance	495	(367)	(58)	6,493	62,772
Changes of items during period					
Dividends of surplus					(571)
Profit attributable to owners of parent					268
Purchase of treasury shares					(506)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Disposal of treasury shares					25
Cancellation of treasury shares					
Other	646	(84)	177	(12)	725
Balance at March 31, 2021	**1,141**	**(452)**	**118**	**6,481**	**62,714**
Cumulative effects of changes in accounting policies					**(53)**
Restated balance	**1,141**	**(452)**	**118**	**6,481**	**62,660**
Changes of items during period					
Dividends of surplus					**(877)**
Profit attributable to owners of parent					**2,690**
Purchase of treasury shares					**(0)**
Change in ownership interest of parent due to transactions with non-controlling interests					
Disposal of treasury shares					**25**
Cancellation of treasury shares					—
Other	**185**	**1,411**	**31**	**731**	**2,360**
Balance at March 31, 2022	**1,327**	**959**	**150**	**7,212**	**66,859**

CONSOLIDATED STATEMENT OF CASH FLOWS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	**2022**
Cash flows from operating activities:		
Profit before income taxes	¥1,198	**¥4,467**
Depreciation	3,034	**2,954**
Impairment loss	772	**241**
Amortization of goodwill	124	**4**
Increase (decrease) in allowance for doubtful accounts	21	**7**
Increase (decrease) in provision for bonuses	91	**8**
Decrease (increase) in retirement benefit asset	5	**17**
Increase (decrease) in retirement benefit liability	(121)	**(66)**
Interest and dividend income	(162)	**(167)**
Interest expenses	36	**43**
Foreign exchange losses (gains)	(87)	**(184)**
Share of loss (profit) of entities accounted for using equity method	(118)	**(143)**
Loss (gain) on sales of property, plant and equipment	(95)	**(6)**
Loss (gain) on disposal of property, plant and equipment	29	**13**
Loss (gain) on sales of intangible assets	—	**(15)**
Loss (gain) on sales of investment securities	(377)	**(214)**
Decrease (increase) in trade receivables	98	**(903)**
Decrease (increase) in inventories	(103)	**(907)**
Increase (decrease) in trade payables	(241)	**1,303**
Increase (decrease) in accrued consumption taxes	49	**178**
Other, net	36	**119**
Subtotal	4,193	**6,751**
Interest and dividend income received	174	**203**
Interest paid	(36)	**(47)**
Income taxes (paid) refund	(361)	**(571)**
Net cash provided by (used in) operating activities	3,969	**6,335**

	Millions of yen	
	2021	**2022**
Cash flows from investing activities:		
Payments into time deposits	¥(2,540)	**¥(1,432)**
Proceeds from withdrawal of time deposits	2,156	**1,832**
Purchase of securities	—	**(48)**
Purchase of property, plant and equipment	(1,408)	**(983)**
Proceeds from sales of property, plant and equipment	127	**106**
Purchase of intangible assets	(19)	**(23)**
Purchase of investment securities	(12)	**(4)**
Proceeds from sales of intangible assets	—	**52**
Proceeds from sales and redemption of investment securities	1,000	**556**
Loan advances	(10)	**(5)**
Collection of loans receivable	12	**14**
Purchase of long-term prepaid expenses	(47)	**(80)**
Other, net	(18)	**(24)**
Net cash provided by (used in) investing activities	(758)	**(40)**
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,374	**1,688**
Repayments of short-term borrowings	(1,258)	**(1,788)**
Proceeds from long-term borrowings	170	**10**
Repayments of long-term borrowings	(539)	**(541)**
Purchase of treasury shares	(506)	**(0)**
Dividends paid	(571)	**(877)**
Dividends paid to Non-controlling interests	(357)	**(370)**
Other, net	92	**(90)**
Net cash provided by (used in) financing activities	(1,595)	**(1,970)**
Effect of exchange rate change on cash and cash equivalents	(4)	**465**
Net increase (decrease) in cash and cash equivalents	1,611	**4,790**
Cash and cash equivalents at beginning of period	11,697	**13,309**
Cash and cash equivalents at end of period	13,309	**18,099**

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Neturen Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial instruments and Exchange Law of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers outside Japan.

(1) Principle of Consolidation and Investments in Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and 17 significant subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. All unrealized profits and losses with regard to intercompany transactions of assets are also wholly eliminated in consolidation. The equity method to account for investments in an unconsolidated subsidiary and 4 affiliates has been followed by the Company in the accompanying consolidated financial statements. Accordingly, earnings corresponding to the equity ownership are included as income of the Company and the consolidated subsidiaries in investment accounts.

The fiscal year-end of all subsidiaries differs from that of the Company. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions and the results of operations.

(2) Foreign Currency financial statement

In translating the financial statements of foreign subsidiaries and affiliates into Japanese yen, all assets, liabilities, revenues and expenses are translated at the current exchange rates in effect each balance sheet date except for capital and retained earnings which are translated at the historical exchange rates in effect at the time of the transactions. The resulting translation adjustments are reflected as separate components in the accompanying consolidated financial statements as foreign currency translation adjustments.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the consolidated statements of cash flows include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

(4) Short-term Securities, Investment securities

Short-term securities and investment securities are classified and account for, depending on management’s intent, as follows:

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are amortized or accumulated to face value. Other securities, “available-for-sale securities” with fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities are principally determined by the moving-average method.

(5) Derivatives

Derivatives are valued by the market value method.

(6) Inventories

Inventories are principally stated at cost on a first-in, first-out basis, evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability.

(7) Property, Plant and Equipment (except under lease)

Property, plant and equipment are stated at cost.

In the Company and its domestic subsidiaries, the declining-balance method is primarily used for depreciation.

Further, depreciation of buildings (excluding attached fixtures) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, is calculated by the straight-line method.

In foreign subsidiaries, the straight-line method is primarily used for depreciation.

The range of useful lives is principally from 5 to 50 years for buildings and structures, from 4 to 12 years for machinery, equipment and vehicles.

(8) Intangible assets

Intangible assets are carried at cost less accumulated amortization, which are amortized by the straight-line method.

(9) Lease assets

Under accounting standards generally accepted in Japan, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciation on a straight-line basis, with lease period used as their useful lives and no residual value.

(10) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables.

(11) Research and Development Costs

Research and development costs are charged to income as incurred.

(12) Retirement and severance benefits

The retirement benefit obligation is attributed to each period by the benefit formula method.

Actuarial gain / loss is recognized using the straight-line method over mainly 10 years from next fiscal year.

After adjusting for the tax effects, unrecognized actuarial gains / losses are recorded in accumulated adjustment for retirement benefits in accumulated other comprehensive income in the net assets section.

(13) Goodwill

Goodwill is evaluated on an individual basis and amortized by the straight-line method over 10 years.

(14) Income Taxes

Income taxes of the Company and subsidiaries are provided on the basis of amounts payable as indicated in the tax returns.

The Company and its consolidated subsidiaries have adopted the assets and liabilities method of tax effect accounting in order to recognize the effect of all temporary differences in the recognition of assets and liabilities for tax financial reporting purpose.

(15) Significant revenue and expense recognition standards

Revenue related to sales of products is mainly from sales through manufacturing, etc., and the Company undertakes performance obligations to transfer products pursuant to sales contracts with customers. The performance obligations are deemed satisfied as the customer obtains control of products at a point in time when the products are transferred, and revenue is recognized at the time of transfer.

In the domestic sales of products, when there is a normal period from product shipment to the transfer of control of products to the customer, revenue is recognized at the time of shipment.

The revenue of products with the obligation of installation stated in the contract with the customer is recognized at the time when their installation is completed.

In buy-sell transactions, only the amount equivalent to the processing fee is recognized at net amount as revenue at the time of resale to the charged suppliers.

The Company receives consideration for transactions generally within one year after the satisfaction of obligations, and it doesn’t include significant financing components.

(Significant Accounting Estimates)

Impairment of non-current assets

(1) Carrying amounts recorded in the consolidated financial statements for the fiscal year under review

	Millions of yen	
	2021	**2022**
Amount of property, plant and equipment in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment loss was carefully considered (after recognition of impairment loss)	6,232	**3,474**
Amount of intangible assets in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment loss was carefully considered (after recognition of impairment loss)	175	**5**
Impairment loss	772	**241**

(2) Information on the nature of significant accounting estimates for identified items

For an asset or asset group of non-current assets with indications of impairment, in principle, the Group estimates the pre-discounted future cash flows from said asset or asset group, reduces the carrying amount to recoverable amount if the total amount of estimated pre-discounted future cash flows is below carrying value, and recognizes the reduction as an impairment loss.

For the identification of indications of impairment, the Group carefully examined business plans and other factors of some asset groups in Japan and overseas, and conducted testing to determine the recognition of impairment loss in the event of any indications of impairment.

Tests on whether the total amount of pre-discounted future cash flows exceed the carrying amount are based on the following assumptions:

(ⅰ)The business plans of each asset group were calculated based on the management-approved budget and medium-term management plan and the growth rate of net sales post-business plan period was set at no more than 1%, while varying by region and business.

(ⅱ)Variable costs were computed by multiplying net sales by the variable cost rate which had been reasonably calculated based on factors including actual results and budget; fixed costs were calculated by estimating actual results, yearly salary inflation, and other factors.

(ⅲ) The remaining economic life of the major assets in each asset group was used as the period for estimating pre-discounted future cash flows.

As a result of the above, while an impairment loss on property, plant and equipment was recorded for the Company's Okayama Plant and Kyushu Koushuha Neturen Co., Ltd. (consolidated subsidiary), for the other asset groups, no impairment loss was recorded mainly because the total amount of their undiscounted future cash flows exceeded their carrying amounts.

For the impairment loss for the Company's Okayama Plant and Kyushu Koushuha Neturen Co., Ltd., please refer to notes to Consolidated Statements of Income and Comprehensive Income.

It is expected that economic trends in Japan and overseas will remain on a gradual recovery track. However, it is difficult to foresee the impact of COVID-19 on the economy in the future. Additionally, there are still concerns about production stagnation due to a shortage of parts such as semiconductors, cost increases due to soaring material costs such as steel materials, electricity costs and logistics costs. Furthermore, the turmoil in the world economy over the situation in Ukraine has spurred soaring resourcesand energy prices, deteriorating the business environment of companies.

Since it is expected that it will take some time for these concerns to be resolved, the Company anticipates that the unpredictable situation will continue for some time and that the business performance of the Group will be affected.

The Company has made accounting estimates for the determination of impairment on non-current assets based on these assumptions. The impairment loss on non-current assets may be incurred if these concerns are protracted.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes due to the adoption of Revenue Recognition Standard, etc., is as follows.

(1) Revenue recognition for buy-sell transactions

For some buy-sell transactions that fall under the repurchase agreement, net sales and cost of sales were previously recorded at the time of resale to the charged suppliers. However, the Company changed to a method of recognizing only the amount equivalent to the processing fee at net amount as revenue.

(2) Revenue recognition for products that require installation

For products for which the Group is obliged to install in the contract with the customers, in some transactions, revenue for the product part was recognized when it was inspected by the customer, and revenue for the service part was recognized when the installation was completed in the past. As a result of examining the identification of performance obligations and the time when they are satisfied based on the Revenue Recognition Standard, etc., it was judged that the performance obligations are satisfied when the customers gain control over the product upon completion of product installation, and revenue for both the product and service parts are recognized.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year under review in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the fiscal year under review.

Furthermore, “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets of the previous fiscal year, has been included under “notes and accounts receivable - trade, and contract assets” from the fiscal year under review. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, etc., net sales increased by ¥10 million, cost of sales decreased by ¥61 million, and operating income, ordinary income, and profit before income taxes increased by ¥72 million, respectively for the fiscal year under review. In addition, the beginning balance of retained earnings decreased by ¥53 million.

In the consolidated statements of cash flows for the fiscal year under review, profit before income taxes increased by ¥72 million.The cumulative impact of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings decreased by ¥53 million in the consolidated statements of changes in equity.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

2. Status of financial instruments

(1) Policies for financial instruments

The Companies raised the funds by borrowing from financial institutions and retained earnings according to capital investment. The Companies manage funds only through short-term time deposit and others. The Companies use derivatives for the purposes of managing foreign currency exchange risk related to trading receivables and payables. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk.

Trade receivables —notes receivable , accounts receivable and electronically recorded monetary claims— are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers. Equity securities —the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices. Trade payable —notes payable , accounts payable and electronically recorded obligations— mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk. Short-term debt is raised mainly in connection with business activities. Long-term debt is taken out principally for the purpose of capital expenditure. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Company undertakes interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management of financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirm the effectiveness of hedging and obtain approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instrument.

(c) Monitoring of liquidity risks for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)

The Companies manage the liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

3. Short-term Investment Securities, Investment Securities and Other Securities

The following is an analytical summary of held-to-maturity securities and available-for-sale securities consisted of short-term investment securities, investment securities as of March 31, 2021 and 2022.

	Millions of yen					
	2021			**2022**		
Held-to-maturity securities:	Book value	Fair value	Difference	Book value	Fair value	Difference
Bonds	¥202	¥200	¥(1)	**¥338**	**¥338**	**¥(1)**
Others	283	283	—	**283**	**283**	—
	485	483	(1)	**621**	**621**	**(1)**
Other securities:						
Available-for-sale securities	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)
Bonds	¥—	¥—	¥—	**¥—**	**¥—**	**¥—**
Equity securities	4,305	2,636	1,668	**3,357**	**2,399**	**958**
Others	—	—	—	—	—	—
	4,305	2,636	1,668	**3,357**	**2,399**	**958**

As of March 31, 2021 and 2022, the cost of non-marketable securities consisted of the following:

	Millions of yen	
	2021	**2022**
Other securities without fair value:		
Unlisted equity securities	¥241	**¥265**
Non-consolidated subsidiaries and affiliates:		
Equity securities	4,037	**5,013**

4. Short-term Bank Loans and Long-term Debt

Short-term bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The weighted average interest rates applicable to such loans as of March 31, 2021 and 2022 were approximately 1.4% and 0.9% respectively.

Long-term debt as of March 31, 2021 and 2022 consisted of the following:

	Millions of yen	
	2021	**2022**
Unsecured loans from banks	¥1,809	**¥1,278**
Less: current portion	(541)	**(540)**
Lease obligations	200	**499**
Less: current portion	(30)	**(69)**
	1,438	**1,167**

Interest rates applicable to the long-term loans mentioned above ranged from 0.4% to 0.5% as of March 31, 2021 and 2022 respectively.

The aggregate annual maturities of long-term debt payable as of March 31, 2022 were as follows:

As of March 31,	Millions of yen
2024	¥600
2025	27
2026	24
2027	24
	675

5. Income Taxes

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purpose for the years ended March 31, 2021 and 2022.

	As of March 31	
	2021	**2022**
Statutory tax rate	30.6%	**30.6%**
Permanent differences-Entertainment expenses and other	0.9	**0.1**
Permanent differences-Dividend income and other	(14.9)	**(6.0)**
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.4)	**(1.0)**
Dividends from consolidated subsidiaries	19.0	**7.2**
Valuation allowance for deferred tax assets	0.8	**1.1**
Per capita inhabitance tax	3.6	**0.9**
Recognition of effective tax rate on retained earnings of foreign subsidiaries	(3.4)	**0.6**
Amortization of goodwill	3.2	**0.0**
Impairment Loss of goodwill	19.7	—
Tax rate differences	(8.1)	**(2.7)**
Tax credit	(3.0)	**(0.3)**
Other-net	2.6	**(0.5)**
Effective tax rate	48.6%	**30.0%**

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	**2022**
Deferred tax assets:		
Inventories	¥44	**¥57**
Depreciation	0	**0**
Intangible assets	17	**15**
Unrealized loss on valuation of other securities	6	**5**
Allowance for doubtful accounts	32	**33**
Accrued enterprise tax	16	**69**
Accrued employees' bonuses	243	**247**
Retirement benefit liability	340	**295**
Impairment loss	1,127	**1,039**
Unrealized loss on available-for-sale securities	25	**68**
Others	479	**551**
Subtotal	2,333	**2,385**
Valuation allowance	(982)	**(1,091)**
Total	1,351	**1,294**
Deferred tax liabilities:		
Accumulated earnings of consolidated subsidiaries	(487)	**(521)**
Reserve for deferred capital gains	(336)	**(331)**
Unrealized gain on available-for-sale securities	(537)	**(374)**
Others	(253)	**(265)**
Total	(1,614)	**(1,494)**
Net deferred tax assets (liabilities)	(263)	**(199)**

6. Research and Development Costs

Research and development costs are charged to income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	**2022**
Research and development costs	¥595	**¥576**

7. Other Income / (Expenses) — Other, net

Other income / (expenses) — Other, net consists of the following items:

	Millions of yen	
	2021	**2022**
Foreign exchange gains	¥40	**¥139**
Foreign exchange Loss	—	—
Other	19	**173**
Other income (expenses) - net	59	**312**

8. Impairment loss

The Company recorded impairment loss on the following asset groups.

2021 (From April 1, 2020 to March 31, 2021):

		Millions of yen
		2021
Location	Category of assets	
Korea Neturen Co., Ltd.	Goodwill	**¥772**

The Group's assets are mainly grouped by factory (multiple factories are classified into one group when business complementarity is recognized) based on managerial accounting classification. In addition, consolidated subsidiaries' assets are primarily grouped by company.

Among these asset groups, Korea Neturen Co., Ltd., a consolidated subsidiary engaged in the manufacture and sales of induction heating equipment in South Korea, experienced a significant decrease in order backlog due to sluggish orders received from customers as a result of the COVID-19 pandemic. It is difficult to predict when the COVID-19 infections will be contained, and the South Korean economy is showing little signs of improvement. It is also likely that orders received in the equipment sales business will only react positively to any signs of economic recovery with a six-month time lag. As a result of a conservative review of the future business plan taking these factors into account, an impairment loss on goodwill of ¥772 million was recorded for Korea Neturen Co., Ltd. to reflect a discrepancy from initial projections.

The recoverable amount is measured through value in use and future cash flows are discounted by a discount rate of 12.6%.

The Company recorded impairment loss on the following asset groups.

2022 (From April 1, 2021 to March 31, 2022)

		Millions of yen
		2022
Location	Category of assets	
Okayama, Japan	Machinery, equipment and vehicles, Land	**¥162**
Kyushu Koushuha Neturen Co., Ltd., Japan	Same as above	**79**
		¥241

The Group's assets are mainly grouped by factory (multiple factories are classified into one group when business complementarity is recognized) based on managerial accounting classification. In addition, consolidated subsidiaries' assets are primarily grouped by company.

In the automobile industry which is the main customer of the Company's Okayama Plant and the large machine tool industry which is the main customer of Kyushu Koushuha Neturen Co., Ltd. (consolidated subsidiary) of these asset groups, a decline in profitability of non-current assets was recognized due to the effects of stagnating production activities caused by tight supply and demand for parts such as semiconductors in line with the global spread of COVID-19 and concerns about soaring resources and energy prices driven by the situation in Ukraine in the future business plan. Therefore, the carrying amount of the non-current assets was written down to recoverable amount, and the reduced amount was recorded in extraordinary losses as impairment loss (¥241 million).

The breakdown of impairment loss by asset was ¥197 million in machinery, equipment and vehicles and ¥43 million in land.

Please note that of these asset groups, the recoverable amount of the Company's Okayama Plant was measured at net selling value, and buildings and land are appraised based on the real estate appraisal value and other assets are appraised as zero. In addition, the recoverable amount of Kyushu Koushuha Neturen Co., Ltd. was measured at value in use, and calculated by discounting the future cash flows at 7.9%.

9. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	**2022**
Other consolidated comprehensive income for the year ended March 31, 2021 and 2022		
Unrealized gain on available-for sale securities		
Amount arising during the year	¥1,118	**¥(473)**
Reclassification adjustments for gains and losses recognized in the income statement	(377)	**(214)**
Amount before tax effect adjustment	740	**(687)**
Tax effect	(97)	**162**
Total	643	**(524)**
Foreign currency translation adjustments		
Amount arising during the year	(98)	**1,921**
Reclassification adjustments for gains and losses recognized in the income statement	—	—
Amount before tax effect adjustment	(98)	**1,921**
Tax effect	—	—
Total	(98)	**1,921**
Remeasurements of defined benefit plans		
Amount arising during the year	234	**58**
Reclassification adjustments for gains and losses recognized in the income statement	20	**(13)**
Amount before tax effect adjustment	255	**45**
Tax effect	(78)	**(14)**
Total	177	**31**
Share of other comprehensive income of associates accounted for using the equity method		
Amount arising during the year	13	**867**
Reclassification adjustments for gains and losses recognized in the income statement	—	—
Total	13	**867**
Total	735	**2,295**

10. Retirement and severance benefits

The Company has adopted a corporate pension plan and a lump-sum pension plan, both of which are defined benefit plans. The Company also adopted a retirement benefit trust.

Domestic consolidated subsidiaries have adopted lump-sum pension plans, and calculated projected benefit obligations by the simplified method.

11. Revenue recognition

(1) Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

	Millions of yen				
	Reportable segment			Other (Note) 1	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Civil engineering and construction-related products	**¥9,589**	—	**¥9,589**	—	**¥9,589**
Automobiles-related products	**15,532**	—	**15,532**	—	**15,532**
Construction equipment-related products	**4,435**	—	**4,435**	—	**4,435**
Induction heat treatment-related services	—	**15,406**	**15,406**	—	**15,406**
Induction heating equipment and related services	—	**6,229**	**6,229**	—	**6,229**
Others	**1,648**	**30**	**1,679**	**0**	**1,679**
Revenue from contracts with customers	**31,205**	**21,666**	**52,872**	**0**	**52,872**
Revenue from other sources (Note) 2	—	—	—	**132**	**132**
Net sales to external customers	**31,205**	**21,666**	**52,872**	**132**	**53,004**

(Notes) 1. The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

2. "Revenue from other sources" includes real estate lease revenue based on the Accounting Standard for Lease Transactions.

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in "Summary of Significant Accounting Policies (15) Significant revenue and expense recognition standards."

(3) Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the fiscal year under review expected to be recognized in and after the following fiscal year

(i) Balance of contract assets and liabilities, etc.

	Millions of yen	
	Fiscal year ended March 31, 2022	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Notes receivable – trade	**1,363**	**1,395**
Accounts receivable – trade	**9,302**	**11,222**
	10,666	**12,618**
Contract assets	**50**	**77**
Contract liabilities	**321**	**452**

(Notes) 1. Revenue recognized in the fiscal year under review that was included in the contract liability balance at the beginning of the period was ¥302 million.

2. Contract assets primarily relate to the right of consolidated subsidiaries to consideration for induction heating equipment and related services in which installation has been completed but an invoice cannot yet been issued as of the end of the period. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers in induction heating equipment related services. Contract liabilities are reversed as revenue is recognized.

(ⅱ) Transaction price allocated to the remaining performance obligations

The Group has no significant transactions whose expected contract period exceeds one year. In addition, there is no significant amount that is not included in the transaction price in consideration arising from contracts with customers.

12. Segment information

(1) Overview of reportable segments

The Company's reportable segments are components within the Company for which discrete financial information is available and are regularly reviewed by the Company's Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Company adopted a business division system centered on two business divisions, the "Specialty Steel and Wire Products Division" and "Induction Heating Division." Each business division cooperates with organizations such as the Administrative Headquarters and the Business Planning and Development Headquarters and formulates comprehensive strategies for domestic and overseas businesses in relation to the products and services it handles and carries out business activities accordingly. In addition, our affiliated companies operate their businesses under each business division.

Therefore, the Group is comprised of segments that are classified according to products and services based on its business divisions. The two reportable segments of the Group are "Specialty Steel and Wire Products Division" and "Induction Heating Division."

"Specialty Steel and Wire Products Division" manufactures PC steel bars, deformed PC steel bars and shear reinforcement for civil engineering and construction, high-strength spring steel wire (ITW) mainly used for suspension springs for automobiles and two-wheeled vehicles, and automotive parts and construction machine parts, etc. "Induction Heating Division" is not only engaged in induction heat treatment service of critical safety parts for automobiles and machining equipment, etc., but also manufactures induction heating equipment for each industrial field.

(2) Calculation methods of net sales, profit (loss), assets, liabilities and other items by reportable segment

Reportable segment profit consists of figures based on operating income (after amortization of goodwill). The accounting policies of the segments are substantially the same as those described in the "Summary of Significant Accounting Policies (Note 1)". Inter-segment net sales and transfers are based on market price.

(3) Notes to the changes in reportable segments, etc.

As described in the changes in accounting policies, the Company has applied the Revenue Recognition Standard, etc. and changed the way of accounting methods for revenue recognition since the beginning of the fiscal year under review. The calculation method for profit or loss in the business segments also changed accordingly.

Consequently, net sales of the Specialty Steel and Wire Products Division for the fiscal year under review decreased by ¥356 million compared to that under the previous method. This does not affect the segment profit. Net sales of the "Induction Heating Division" increased by ¥366 million and the segment profit increased by ¥72 million.

Operations in different industries:

(1) Specialty Steel and Wire Products Division: Prestressing Steel Bars & Wires, Spiral Wires, Auto parts and Construction machine parts, etc.

(2) Induction Heat Treatment Service and Heating Machine Division: Surface heat treatment, Induction heating machine, etc.

(3) Others: Leasing and others

	Millions of yen				
	2021				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customers	¥24,537	¥17,898	¥42,435	¥131	¥42,567
Inter-segment	—	26	26	—	26
Total	24,537	17,924	42,462	131	42,593
Segment profit	685	170	855	57	913
Segment assets	28,076	27,168	55,245	1,766	57,011
Other items					
Depreciation and amortization	1,282	1,746	3,028	13	3,041
Increase in property, plant and equipment and intangible assets	347	987	1,335	27	1,362

	Millions of yen				
	2022				
	Reportable segment			Others	Total
	(1)	(2)	Total	(3)	
Sales:					
Customer	**¥31,205**	**¥21,666**	**¥52,872**	**¥132**	**¥53,004**
Inter-segment	—	**39**	**39**	—	**39**
Total	**31,205**	**21,705**	**52,911**	**132**	**53,044**
Segment profit	**1,317**	**2,327**	**3,644**	**54**	**3,698**
Segment assets	**30,205**	**27,556**	**57,761**	**1,686**	**59,448**
Other items					
Depreciation and amortization	**1,325**	**1,614**	**2,939**	**14**	**2,954**
Increase in property, plant and equipment and intangible assets	**813**	**484**	**1,298**	**20**	**1,318**

Reconciliation between reportable segment total and amounts disclosed in consolidated financial statements

	Millions of yen	
	2021	**2022**
Sales:		
Reportable segment total	¥42,462	**¥52,911**
Sales in "Others"	131	**132**
Elimination of inter-segment transaction	(26)	**(39)**
Sales in consolidated financial statements	42,567	**53,004**

	Millions of yen	
	2021	**2022**
Profit:		
Reportable segment total	¥855	**¥3,644**
Profit in "Others"	57	**54**
Elimination of inter-segment transaction	7	**5**
Operating profit in consolidated financial statements	920	**3,704**

	Millions of yen	
	2021	**2022**
Assets:		
Reportable segment total	¥55,245	**¥57,761**
Assets in "Others"	1,766	**1,686**
Corporate assets	18,595	**22,579**
Elimination of inter-segment transaction	(31)	**(25)**
Assets in consolidated financial statements	75,574	**82,003**

Other items are as follows:

	Millions of yen			
	2021			
	Reportable segment	Others	Adjustments	Reportable segment
Other items:				
Depreciation and amortization	¥3,028	¥13	¥(7)	¥3,034
Increase in property, plant and equipment and intangible assets	1,335	27	64	1,426

	Millions of yen			
	2022			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization	**¥2,939**	**¥14**	**¥0**	**¥2,954**
Increase in property, plant and equipment and intangible assets	**1,298**	**20**	**58**	**1,377**

Related information

Information about products and services

	Millions of yen						
	2021						
	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment-related services	Induction heat treatment-related services	Others	Total
Sales:							
Customers	¥8,976	¥11,339	¥3,152	¥12,748	¥5,123	¥1,226	¥42,567

	Millions of yen						
	2022						
	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment-related services	Induction heat treatment-related services	Others	Total
Sales:							
Customers	**¥9,589**	**¥15,532**	**¥4,435**	**¥15,406**	**¥6,229**	**¥1,811**	**¥53,004**

Information about geographical areas

	Millions of yen						
	2021						
	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	¥30,720	¥7,339	¥1,018	¥2,897	¥537	¥52	¥42,567

	Millions of yen						
	2022						
	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	**¥36,645**	**¥10,185**	**¥784**	**¥3,610**	**¥1,716**	**¥62**	**¥53,004**

Note: Net sales is based on a customer's location and classified by countries

	Millions of yen						
	2021						
	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment	¥22,413	¥3,275	¥298	¥967	¥1,908	¥299	¥29,163

	Millions of yen						
	2022						
	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment	**¥20,883**	**¥3,633**	**¥336**	**¥1,006**	**¥1,892**	**¥314**	**¥28,067**

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	—	772	772	—	772

(Note) The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	—	**241**	**241**	—	**241**

(Note) The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Amortization for the current period	—	124	124	—	124
Balance at end of period	—	4	4	—	4

(Note) The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Amortization for the current period	—	**4**	**4**	—	**4**
Balance at end of period	—	—	—	—	—

(Note) The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

13. Subsequent events

(1) Cash dividends

The following appropriations of unappropriated retained earnings were approved at the meeting of shareholders of the Company held on June 28, 2022

	Millions of yen
cash dividends	
¥17 per share (applicable to the six-month period ended March 31, 2022)	**¥678**

(2) Purchase of treasury shares

The Company resolved to regarding matters related to the purchase of its treasury shares in accordance with Article 156 of the Companies Act (the "Act"), as applied pursuant to Paragraph 3, Article 165 of the Act at the meeting of the Board of Directors held on May 20, 2022.

Reason for purchase of treasury shares

Based on the long-term management vision "NETUREN VISION 2030" and the capital allocation in the 15th Medium-term Management Plan, both of which were formulated in May 2021, the Company resolved to conduct share purchases to ensure the achievement of the goals of the 15th Medium-term Management Plan, in particular, with a view to implementing a flexible capital policy in response to changes in the business environment, increasing capital efficiency, as well as further increasing shareholder returns in light of the financial situation going forward.

Details of purchase

Class of shares to be purchased	Common shares of the Company's stock
Potential total number of shares to be purchased	3,125,000 shares (upper limit) (7.83% of issued and outstanding shares (excluding treasury shares))
Total cost for purchase	1,500,000,000 yen (upper limit)
Period	May 23, 2022 to March 31, 2023
Method of purchase	Market purchases on the Tokyo Stock Exchange under a discretionary investment method

CORPORATE DATA

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https://www.k-neturen.co.jp/

Date of Establishment:
May 15, 1946

Paid-in Capital:
¥6,418 million

Common Stock:
Authorized: 150,000,000 shares
Issued: 40,906,500 shares
Number of shareholders: 20,082

Number of Employees:
1,604(Consolidated)

(As of March 31, 2022)

Directors and Corporate Auditors:

Representative Director, Member of the Board, President and Chief Executive Officer
Katsumi Omiya

Director, Member of the Board, Managing Executive Officer
Nobumoto Ishiki　　Takashi Suzuki

Director, Member of the Board Executive Officer
Tomokatsu Yasukawa

Outside Director
Mineo Hanai　　Yoshiko Moriyama

Standing Audit & Supervisory Board Member
Yoshihiro Ikegami

Outside Audit & Supervisory Board Member
Takeshi Nakano　　Minoru Enjitsu

Executive Officer
Yoshitaka Misaka　　Nobuhiro Murai
Naoki Hisada　　Norio Tanaka

(As of June 28, 2022)