



Annual Report 2019

For the year ended March 31, 2019

NETUREN CO., LTD.

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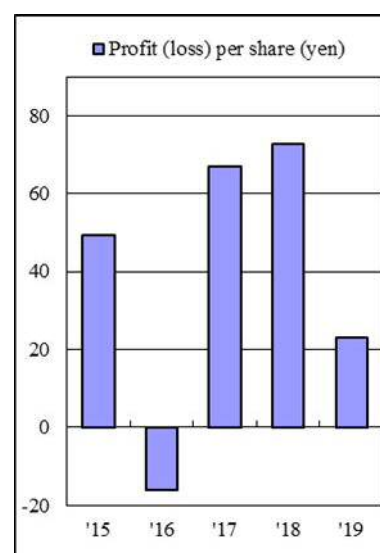
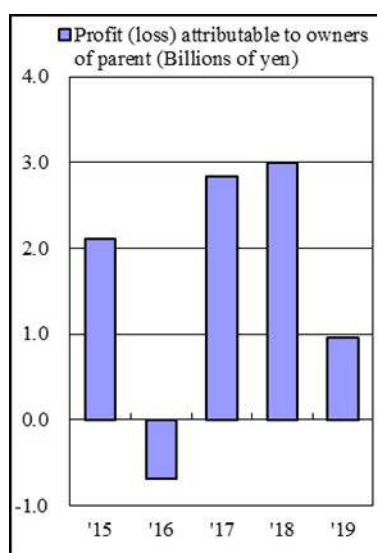
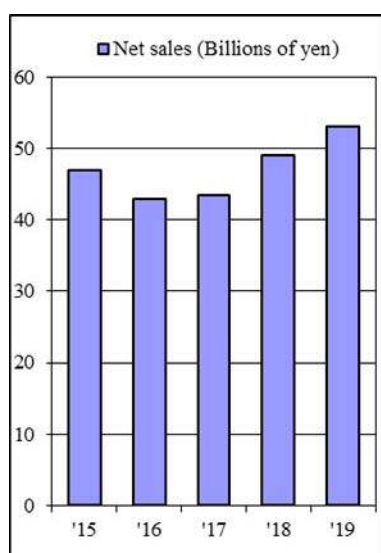
FIVE—YEAR SUMMARY

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

	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Net sales.....	¥46,895	¥42,905	¥43,396	¥48,980	¥53,015	\$477,663
Operating income.....	3,001	2,145	3,003	3,656	3,569	32,157
Profit (loss).....	2,520	(411)	3,096	3,479	1,507	13,579
Profit (loss) attributable to owners of parent.....	2,105	(687)	2,834	3,003	950	8,567
Comprehensive income.....	5,460	(3,203)	2,671	4,768	(127)	(1,149)
Total assets.....	81,828	76,610	76,230	82,110	80,650	726,649
Total Net assets.....	66,176	62,202	63,319	66,120	64,598	582,016
Per share of common stock.....						
Profit (loss).....	¥49.41	¥ (16.12)	¥66.98	¥72.73	¥23.21	\$0.21
Cash dividends.....	14.00	14.00	25.00	22.00	25.00	0.23
Stockholders' equity.....	1,411.70	1,322.16	1,381.64	1,458.40	1,427.94	12.87

Note1: U.S. dollar amounts in this report are translated from Japanese yen, for convenience only, at the rate of ¥110.99=US\$1.

2: The fiscal year ended March 31, 2017 dividend includes a one time commemorative dividend of ¥4.00 per share.



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.

(1) Activities and Results

In the consolidated fiscal year under review, the Japanese economy continued to enjoy a moderate recovery, as indicated by an increase in capital expenditures attributed to further improvements in employment and personal income conditions. Meanwhile, the outlook of the global economy remained uncertain with growing signs of a slowdown in the Chinese economy added to the US-China trade friction and the issue of Brexit in the UK.

Under such circumstances, the Group has been striving to increase its corporate value by promoting the basic policies set out in its 14th medium-term business plan “Accomplish V-20” (a three-year plan from April 2018 to March 2021): (1) Rapid development and market introduction of new technologies, new products, and new businesses, (2) Securing and fostering global human resources who will forge the present and future of our Group, and (3) Building a Global Structure for Safety, Quality and CSR Activities.

As a result, net sales for the fiscal year under review were ¥53,015 million (up 8.2% year over year), with operating income at ¥3,569 million (down 2.4% year over year) and profit attributable to owners of parent was ¥950 million (down 68.3% year over year).

Status by business segment

a. Specialty Steel and Wire Products Division

Sales of construction-related products increased year on year attributed to favorable progress in large projects in which our products were used. However, sales of civil engineering-related products decreased year on year due partly to lack of growth in markets where our core customers sell products, and also due to delays in the start of construction resulting from a late start to the manufacturing of related materials, as well as other reasons.

Meanwhile, sales volume of ITW high-strength spring steel wire increased from a year earlier because sales overseas.

As a result, net sales for the fiscal year under review were ¥21,552 million (up 1.3% year over year). Operating income was ¥1,446 million (down 7.4% year over year).

b. Induction Heating Division

Sales of services related to induction heat treatment increased from a year earlier due partly to a solid increase in orders for automobiles and machine tools. Sales of automobile components were largely on a par with the same time last year.

Sales of products related to construction machine parts also increased from a year earlier due to increase in sales in Japan. Sales of induction-heating equipment increased from a year earlier due to increase in sales in Japan and Korea.

As a result, sales in this segment were ¥31,332 million (up 13.7% year over year) and operating income was ¥2,065 million (up 1.5% year over year).

c. 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 business performance although the contribution is small.

As a result, sales in this segment were ¥130 million (up 2.0% year over year) and operating income was ¥57 million (down 2.9% year over year).

(2) Cash Flow

At the end of the fiscal year under review, balance of cash and cash equivalents amounted to ¥11,286 million (down ¥1,220 million year over year).

a. Cash Flow Provided by Operating Activities

Net cash provided by operating activities amounted to ¥4,622 million (¥6,483 million income for the previous fiscal year).

This was caused mainly by increase in profit before income taxes of ¥2,016 million and increase in trade receivables of ¥1,212 million.

b. Cash Flow Used in Investing Activities

Net cash used in investing activities amounted to ¥5,510 million (¥5,880 million expenditure for the previous fiscal year).

This was caused primarily by payments for purchases of property, plant and equipment totaling ¥4,688 million.

c. Cash Flow Used in Financing Activities

Net cash used in financing activities amounted to ¥130 million (¥1,370 million expenditure for the previous fiscal year).

This was mainly due to repayments of long-term borrowings totaling ¥569 million and dividends paid ¥943 million, despite proceeds from long-term loans payable ¥2,073 million.

(3) Equipment Investment

The Group (the Company and its consolidated subsidiaries) has focused on making capital expenditures for new products and businesses as well as to meet orders received. To cope with changes in business environment, the group has also invested in rationalization. We are rigorously reviewing the effects of individual equipment investments by establishing standards for returns on investments.

The Group finances capital investments mainly with funds on hand. However, when large investments such as the establishment of a new subsidiary or construction of a new plant are necessary, capital investments are made using external funds.

In the fiscal year under review, equipment investment amounted to ¥4,872 million on a consolidated basis.

(4) Issues for the Coming Term

The business environment surrounding the Group remains uncertain due to the US-China trade friction and concern over a slowdown in the Chinese economy. Under such circumstances, the Group will address the following issues in order to achieve consolidated business targets set forth in the 14th mid-term management plan “Accomplish V-20.”

1. Rapid development and market introduction of New Technologies, New Products and New Businesses

Rapid development of New Technologies & New Products that have been ascertained of its marketability and business scheme. Incorporation of market needs by expansion and utilization of our global network, and realization of new businesses that acquire swift returns.

At the same time, carry out development of business creating activities which will lead to the next generation from mid to long-term perspective.

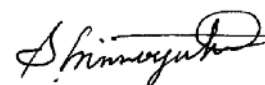
2. Securing and fostering global human resources who will forge the present and future of our Group

In order to secure and grow multifaceted and flexible human resources from companywide perspective, we will build and execute human resource development system from companywide perspective. We will also reinforce functions and organizations that support “work-style reform” which foster and promote diverse human resources.

3. Building a Global Structure for Safety, Quality and CSR Activities

To connect the entire company for Safety, Quality and CSR activities, where information is shared immediately companywide and build a system that can take quick countermeasures.

As a global company, all and every employee understands and acts on compliance, and is committed to building a Company with high social credibility.



Shigeru Mizoguchi
President

CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note2)
	2018	2019	2019
ASSETS			
Current assets:			
Cash and deposits(Note4).....	¥14,110	¥13,506	\$121,692
Notes and accounts receivable - trade(Note4).....	12,293	12,779	115,139
Electronically recorded monetary claims claims (Note4).....	3,907	4,450	40,100
Inventories (Note3).....	4,605	5,025	45,276
Other.....	1,487	1,629	14,682
Total current assets.....	36,404	37,391	336,892
Non-current assets:			
Property, plant and equipment:			
Land.....	9,933	9,833	88,602
Buildings and structures.....	20,086	20,578	185,409
Machinery, equipment and vehicles.....	47,844	49,758	448,312
Construction in progress.....	1,948	956	8,618
Other.....	2,644	2,754	24,814
Accumulated depreciation.....	(51,477)	(53,680)	(483,650)
Total property, plant and equipment.....	30,980	30,201	272,107
Intangible assets:			
Leasehold interests in land.....	744	679	6,126
Goodwill.....	1,282	1,070	9,645
Other.....	152	146	1,317
Total intangible assets.....	2,179	1,896	17,089
Investments and other assets:			
Investment securities (Note4,5).....	11,825	10,343	93,197
Retirement benefit asset.....	103	76	684
Deferred tax assets (Note7).....	45	214	1,928
Other.....	653	607	5,476
Allowance for doubtful accounts.....	(81)	(80)	(727)
Total investments and other assets.....	12,546	11,161	100,559
Total non-current assets.....	45,706	43,259	389,757
Total assets.....	82,110	80,650	726,649

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued on February 16, 2018). Consolidated balance sheet presented for the fiscal year ended March 31, 2018 reflect these changes.

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note2)
	2018	2019	2019
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade (Note4).....	¥3,046	¥2,906	\$26,189
Electronically recorded obligations – operating (Note4).....	5,083	4,887	44,034
Short-term borrowings (Note6).....	1,478	1,396	12,579
Lease obligations (Note6).....	29	54	487
Income taxes payable (Note7).....	672	351	3,168
Provision for bonuses.....	619	610	5,504
Other.....	2,667	2,615	23,568
Total current liabilities.....	13,597	12,822	115,532
Non-current liabilities:			
Long-term borrowings (Note6).....	785	2,159	19,458
Lease obligations (Note6).....	58	37	338
Deferred tax liabilities (Note7).....	545	40	368
Retirement benefit liability (Note11).....	899	922	8,311
Other.....	102	69	622
Total non-current liabilities.....	2,392	3,229	29,099
NET ASSETS			
Shareholders' equity:			
Share capital.....	6,418	6,418	57,828
Capital surplus.....	4,758	4,724	42,568
Retained earnings.....	48,521	48,529	437,238
Treasury shares.....	(2,461)	(2,641)	(23,798)
Total shareholders' equity.....	57,236	57,030	513,836
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities.....	1,541	1,177	10,606
Foreign currency translation adjustment.....	1,093	98	885
Remeasurements of defined benefit plans.....	(66)	(36)	(330)
Total accumulated other comprehensive income.....	2,568	1,238	11,162
Non-controlling interests	6,315	6,328	57,017
Total net assets.....	66,120	64,598	582,016
Total liabilities and net assets	82,110	80,650	726,649

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note2)
	2018	2019	2019
Net sales	¥48,980	¥53,015	\$477,663
Cost of sales	37,799	41,756	376,218
Gross profit.....	11,180	11,259	101,444
Selling, general and administrative expenses (Note8).....	7,524	7,690	69,286
Operating income.....	3,656	3,569	32,157
Non-operating income			
Interest and dividend income.....	257	327	2,952
Share of profit of entities accounted for using equity method.....	148	—	—
Share of loss of entities accounted for using equity method.....	—	(20)	(188)
Gain on step acquisitions.....	1,221	—	—
Gain on sales of investment securities.....	369	128	1,158
Subsidy income.....	636	10	97
Impairment loss.....	(1,134)	(1,950)	(17,571)
Compensation for damage.....	(428)	(4)	(37)
Other net (Note9).....	(81)	(44)	(402)
Other income (expenses) - net	989	(1,553)	(13,993)
Profit before income taxes.....	4,645	2,016	18,164
Income taxes (Note7)			
Current.....	1,078	876	7,894
Deferred.....	88	(367)	(3,309)
Total income taxes	1,166	508	4,585
Profit	3,479	1,507	13,579
Profit attributable to:			
Profit attributable to owners of parent.....	3,003	950	8,567
Profit attributable to non-controlling interests.....	475	556	5,011
Other comprehensive income (Note10)			
Valuation difference on available-for-sale securities.....	268	(349)	(3,145)
Foreign currency translation adjustment.....	640	(1,041)	(9,380)
Remeasurements of defined benefit plans, net of tax.....	71	29	269
Share of other comprehensive income of entities accounted for using equity method.....	308	(274)	(2,472)
Total other comprehensive income	1,289	(1,634)	(14,728)
Comprehensive income	4,768	(127)	(1,149)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	4,157	(378)	(3,413)
Comprehensive income attributable to non-controlling interests.....	611	251	2,264

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2019

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2017.....	¥6,418	¥4,763	¥46,718	¥ (1,777)	¥56,121
Changes of items during period...					
Dividends of surplus.....			(1,200)		(1,200)
Profit attributable to owners of parent.....			3,003		3,003
Purchase of treasury shares.....				(683)	(683)
Disposal of treasury shares.....		0		0	0
Capital increase of consolidated Subsidiaries.....		(4)			(4)
Other.....					
Balance at March 31, 2018.....	6,418	4,758	48,521	(2,461)	57,236
Changes of items during period...					
Dividends of surplus.....			(943)		(943)
Profit attributable to owners of parent.....			950		950
Purchase of treasury shares.....				(179)	(179)
Disposal of treasury shares.....					—
Capital increase of consolidated Subsidiaries.....		(34)			(34)
Other.....					
Balance at March 31, 2019.....	6,418	4,724	48,529	(2,641)	57,030

	Thousands of U.S. dollars (Note2)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2018.....	\$57,828	\$42,875	\$437,168	\$ (22,177)	\$515,694
Changes of items during period					
Dividends of surplus.....			(8,497)		(8,497)
Profit attributable to owners of parent.....			8,567		8,567
Purchase of treasury shares.....				(1,620)	(1,620)
Disposal of treasury shares.....					—
Capital increase of consolidated Subsidiaries.....		(306)			(306)
Other.....					
Balance at March 31, 2019.....	57,828	42,568	437,238	(23,798)	513,836

	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, 2017.....	¥1,270	¥283	¥ (138)	¥5,782	¥63,319
Changes of items during period					
Dividends of surplus.....					(1,200)
Profit attributable to owners of parent.....					3,003
Purchase of treasury shares.....					(683)
Disposal of treasury shares.....					0
Capital increase of consolidated Subsidiaries.....					(4)
Other.....	271	809	71	532	1,686
Balance at March 31, 2018.....	1,541	1,093	(66)	6,315	66,120
Changes of items during period					
Dividends of surplus.....					(943)
Profit attributable to owners of parent.....					950
Purchase of treasury shares.....					(179)
Disposal of treasury shares.....					—
Capital increase of consolidated Subsidiaries.....					(34)
Other.....	(364)	(995)	29	13	(1,316)
Balance at March 31, 2019.....	1,177	98	(36)	6,328	64,598

	Thousands of U.S. dollars (Note2)				
	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, 2018.....	\$13,891	\$9,852	\$ (600)	\$56,898	\$595,737
Changes of items during period					
Dividends of surplus.....					(8,497)
Profit attributable to owners of parent.....					8,567
Purchase of treasury shares.....					(1,620)
Disposal of treasury shares.....					—
Capital increase of consolidated Subsidiaries.....					(306)
Other.....	(3,284)	(8,967)	269	118	(11,862)
Balance at March 31, 2019.....	10,606	885	(330)	57,017	582,016

CONSOLIDATED STATEMENT OF CASH FLOWS

Neturen Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note2)
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes.....	¥4,645	¥2,016	\$18,164
Depreciation.....	2,897	3,267	29,438
Impairment loss.....	1,134	1,950	17,571
Amortization of goodwill.....	103	129	1,169
Increase (decrease) in provision for bonuses.....	(27)	(8)	(77)
Decrease (increase) in retirement benefit asset.....	17	21	191
Increase (decrease) in retirement benefit liability.....	78	66	596
Interest and dividend income.....	(197)	(223)	(2,015)
Interest expenses.....	37	42	379
Foreign exchange losses (gains).....	(56)	24	224
Share of loss (profit) of entities accounted for using equity method..	(148)	20	188
Loss (gain) on sales of property, plant and equipment.....	(0)	(4)	(36)
Loss (gain) on disposal of property, plant and equipment.....	46	49	448
Loss (gain) on sales of intangible assets.....	17	—	—
Loss (gain) on step acquisitions.....	(1,221)	—	—
Loss (gain) on sales of investment securities.....	(267)	(121)	(1,092)
Decrease (increase) in trade receivables.....	(1,067)	(1,212)	(10,926)
Decrease (increase) in inventories.....	(697)	(521)	(4,698)
Increase (decrease) in trade payables.....	1,764	(281)	(2,537)
Loss (gain) on valuation of investment securities.....	—	464	4,187
Increase (decrease) in accrued consumption taxes.....	(194)	267	2,406
Other, net.....	95	(297)	(2,682)
Subtotal.....	6,960	5,649	50,900
Interest and dividend income received.....	243	270	2,434
Interest paid.....	(26)	(38)	(349)
Income taxes (paid) refund.....	(694)	(1,257)	(11,334)
Net cash provided by (used in) operating activities.....	6,483	4,622	41,651

	Millions of yen		Thousands of U.S. dollars (Note2)
	2018	2019	2019
Cash flows from investing activities:			
Payments into time deposits.....	¥ (1,718)	¥ (2,744)	\$ (24,727)
Proceeds from withdrawal of time deposits.....	1,212	1,931	17,405
Purchase of property, plant and equipment.....	(4,650)	(4,688)	(42,238)
Proceeds from sales of property, plant and equipment.....	8	12	108
Purchase of intangible assets.....	(20)	(25)	(229)
Proceeds from sales of intangible assets.....	68	—	—
Purchase of investment securities.....	(316)	(192)	(1,732)
Proceeds from sales and redemption of investment securities....	959	321	2,898
Loan advances.....	(11)	(15)	(136)
Collection of loans receivable.....	12	10	91
Purchase of shares of subsidiaries resulting in change in scope of consolidation.....	(1,372)	—	—
Purchase of long-term prepaid expenses.....	(26)	(73)	(664)
Other, net.....	(26)	(46)	(421)
Net cash provided by (used in) investing activities.....	(5,880)	(5,510)	(49,647)
Cash flows from financing activities:			
Proceeds from short-term borrowings.....	772	1,661	14,972
Repayments of short-term borrowings.....	(744)	(1,848)	(16,655)
Proceeds from long-term borrowings.....	987	2,073	18,677
Repayments of long-term borrowings.....	(413)	(569)	(5,131)
Purchase of treasury shares.....	(683)	(179)	(1,620)
dividends paid.....	(1,200)	(943)	(8,497)
Dividends paid to Non-controlling interests.....	(58)	(271)	(2,450)
Other, net.....	(28)	(52)	(469)
Net cash provided by (used in) financing activities.....	(1,370)	(130)	(1,175)
Effect of exchange rate change on cash and cash equivalents	175	(202)	(1,828)
Net increase (decrease) in cash and cash equivalents.....	(591)	(1,220)	(10,999)
Cash and cash equivalents at beginning of period.....	13,098	12,507	112,691
Cash and cash equivalents at end of period.....	12,507	11,286	101,691

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 (both in yen and in dollars) 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 depreciated 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.

(Accounting Standards Issued but Not yet Adopted)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018 (hereinafter, “Statement No.29”))

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018 (hereinafter, “Guidance No.30”))

(1) Overview

In accordance with this comprehensive accounting standard for revenue recognition, revenue is recognized through the application of the following five steps.

- 1: Identify the contract with the customer.
- 2: Identify the performance obligations in the contract.
- 3: Determine the transaction price.
- 4: Allocate the transaction price to the performance obligations in the contract.
- 5: Recognize revenue as the performance obligations are satisfied.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2. Translation in U.S. Dollars

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥110.99 to \$1, the approximate rate of exchange on March 31, 2019, at the Tokyo foreign exchange market. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars amounts at such rate or at any other rate.

3. Inventories

Inventories as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of
	2018	2019	U.S. dollars
Finished goods.....	¥940	¥1,188	\$10,705
Work in process.....	1,820	1,795	16,179
Raw materials and supplies.....	1,844	2,041	18,391
	4,605	5,025	45,276

4. 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.

Estimated fair value of financial instruments:

The book value of the financial instruments on the consolidated balance sheets as of March 31, 2018 and 2019 and unrealized gain (loss) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2018		
	Book value	Fair value	Difference
Cash and Deposits.....	¥14,110	¥14,110	¥—
Notes and accounts receivable-trade.....	12,293	12,293	—
Electronically recorded monetary claims.....	3,907	3,907	—
Investment securities:			
Held-to-maturity securities.....	207	206	(0)
Other securities.....	6,461	6,461	—
Total.....	36,979	36,979	(0)
Notes and accounts payable-trade.....	3,046	3,046	—
Electronically recorded obligations.....	5,083	5,083	—
Total.....	8,130	8,130	—
Derivatives			
Hedge accounting not applied.....	(15)	(15)	—
Total.....	(15)	(15)	—

	Millions of yen		
	2019		
	Book value	Fair value	Difference
Cash and Deposits.....	¥13,506	¥13,506	¥—
Notes and accounts receivable-trade.....	12,779	12,779	—
Electronically recorded monetary claims.....	4,450	4,450	—
Marketable securities and investment securities:			
Held-to-maturity securities.....	205	206	0
Other securities.....	5,311	5,311	—
Total.....	36,253	36,254	0
Notes and accounts payable-trade.....	2,906	2,906	—
Electronically recorded obligations.....	4,887	4,887	—
Total.....	7,794	7,794	—
Derivatives			
Hedge accounting not applied.....	28	28	—
Total.....	28	28	—

	Thousands of U.S. dollars		
	2019		
	Book value	Fair value	Difference
Cash and Deposits.....	\$121,692	\$121,692	\$—
Notes and accounts receivable-trade.....	115,139	115,139	—
Electronically recorded monetary claims.....	40,100	40,100	—
Marketable securities and investment securities:			
Held-to-maturity securities.....	1,853	1,859	6
Other securities.....	47,851	47,851	—
Total.....	326,637	326,644	6
Notes and accounts payable-trade.....	26,189	26,189	—
Electronically recorded obligations.....	44,034	44,034	—
Total.....	70,224	70,224	—
Derivatives			
Hedge accounting not applied.....	256	256	—
Total.....	256	256	—

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash and deposits and notes and accounts receivable:

Fair value is based on the book value as the carrying amount approximates fair value, and because of the short maturity of these instruments.

Investment securities:

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 5.

Notes and accounts payable and short-term debt:

Since these items are settled in a short period of time, their book value approximates fair value.

Derivatives:

The Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

As of March 31, 2018 and 2019, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other securities without fair value:			
Unlisted equity securities.....	¥231	¥242	\$2,180

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2018 and 2019

	Millions of yen			
	2018			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	¥14,110	¥—	¥—	¥—
Notes and accounts receivable-trade.....	12,293	—	—	—
Electronically recorded monetary claims.....	3,907	—	—	—
Held-to-maturity securities.....	—	100	100	—
Total.....	30,310	100	100	—

	Millions of yen			
	2019			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	¥13,506	¥—	¥—	¥—
Notes and accounts receivable-trade.....	12,779	—	—	—
Electronically recorded monetary claims.....	4,450	—	—	—
Held-to-maturity securities.....	—	100	100	—
Total.....	30,736	100	100	—

	Thousands of U.S. dollars			
	2019			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	\$121,692	\$—	\$—	\$—
Notes and accounts receivable-trade.....	115,139	—	—	—
Electronically recorded monetary claims.....	40,100	—	—	—
Held-to-maturity securities.....	—	900	900	—
Total.....	276,932	900	900	—

5. 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 and stocks of subsidiaries and affiliates as of March 31, 2018 and 2019.

	Millions of yen						Thousands of U.S. dollars		
	2018			2019			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity securities:									
Bonds.....	¥207	¥206	¥ (0)	¥205	¥206	¥0	\$1,853	\$1,859	\$6
Others.....	—	—	—	—	—	—	—	—	—
	207	206	(0)	205	206	0	1,853	1,859	6
Other securities:									
Available-for-sale securities	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition Cost	Unrealized gain (loss)
Bonds.....	¥—	¥—	¥—	¥—	¥—	¥—	\$—	\$—	\$—
Equity securities...	6,461	4,035	2,425	5,211	3,461	1,750	46,958	31,189	15,769
Others.....	—	—	—	99	100	(0)	892	900	(8)
	6,461	4,035	2,425	5,311	3,561	1,749	47,851	32,090	15,760

As of March 31, 2018 and 2019, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	Other securities without fair value:		
Unlisted equity securities.....	¥231	¥242	\$2,180
Non-consolidated subsidiaries and affiliates:			
Equity securities.....	4,925	4,585	41,311

6. 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, 2018 and 2019 were approximately 2.2% and 1.8% respectively.

Long-term debt as of March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	Unsecured loans from banks.....	¥1,197	¥2,700
Less: current portion.....	(411)	(541)	(4,876)
Lease obligations.....	87	91	826
Less: current portion.....	(29)	(54)	(487)
	844	2,197	19,797

Interest rates applicable to the long-term loans mentioned above ranged from 0.3% to 0.4% as of March 31, 2018 and 2019 respectively.

The aggregate annual maturities of long-term debt payable as of March 31, 2019 were as follows:

As of March 31,	Millions of yen	Thousands of U.S. dollars
	2021.....	¥529
2022.....	530	4,775
2023.....	523	4,714
2024.....	576	5,193
	2,159	19,458

7. 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, 2018 and 2019.

	As of March 31	
	2018	2019
Statutory tax rate	30.9%	30.6%
Permanent differences-Entertainment expenses and other.....	0.3	0.7
Permanent differences-Dividend income and other.....	(2.2)	(8.4)
Equity in earnings of unconsolidated subsidiaries and affiliates.....	(1.0)	0.3
Dividends from consolidated subsidiaries.....	2.1	8.6
Valuation allowance for deferred tax assets.....	(0.7)	4.6
Per capita inhabitance tax.....	0.9	2.1
Recognition of effective tax rate on retained earnings of foreign subsidiaries.....	1.2	(2.6)
Amortization of goodwill.....	0.7	2.0
Tax rate differences.....	(2.9)	(8.5)
Tax credit.....	(3.5)	(5.0)
Other-net.....	(0.7)	0.8
Effective tax rate.....	25.1%	25.2%

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of
	2018	2019	U.S. dollars
Deferred tax assets:			2019
Inventories.....	¥34	¥36	\$330
Depreciation.....	6	4	41
Intangible assets.....	21	16	150
Unrealized loss on valuation of other securities.....	22	7	71
Allowance for doubtful accounts.....	36	28	258
Accrued enterprise tax.....	46	29	262
Accrued employees' bonuses.....	215	208	1,881
Retirement benefit liability.....	428	434	3,911
Impairment loss.....	956	1,438	12,956
Valuation allowance.....	(837)	(1,076)	(9,698)
Unrealized loss on available-for-sale securities.....	148	174	1,574
Others.....	355	424	3,827
Total.....	1,434	1,727	15,568
Deferred tax liabilities:			
Accumulated earnings of consolidated subsidiaries.....	(549)	(495)	(4,468)
Reserve for deferred capital gains.....	(353)	(345)	(3,111)
Unrealized gain on available-for-sale securities.....	(890)	(571)	(5,150)
Others.....	(140)	(141)	(1,278)
Total.....	(1,934)	(1,554)	(14,008)
Net deferred tax assets (liabilities).....	(500)	173	1,560

8. Research and Development Costs

Research and development costs are charged to income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Research and development costs.....	¥959	¥851	\$7,671

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

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Foreign exchange gains.....	¥—	¥ 24	\$ 223
Foreign exchange Loss.....	(12)	—	—
Other.....	(68)	(69)	(626)
Other income (expenses) - net.....	(81)	(44)	(402)

10. Impairment loss

The Company and its consolidated subsidiaries recorded impairment loss on the following asset groups.

2018 (From April 1, 2017 to March 31, 2018):

Location	Purpose of use	Type
Korea Neturen Co., Ltd. (Yeongcheon-si, Gyeongsangbuk-do, Korea)	—	Goodwill

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, as a result of analyzing the recoverability of goodwill recorded when the Company acquired additional shares in Korea Neturen Co., Ltd. and turned it into a consolidated subsidiary based on forecasts of future cash flows, the Company recorded impairment losses of ¥1,134 million. The calculation was made at a discount rate of 8.1%.

The Company and its consolidated subsidiaries recorded impairment loss on the following asset groups.

2019 (From April 1, 2018 to March 31, 2019):

Location	Category of assets	Millions of yen	Thousands of U.S. dollars
		2019	2019
Okayama, Japan	Buildings and structures, Machinery, equipment and vehicles, Land, etc	¥1,141	\$10,280
Ibaraki, Japan	Buildings and structures, Machinery, equipment and vehicles, etc	448	4,036
Mexico	Ditto	314	2,832
Indonesia	Ditto	46	421
		¥1,950	\$17,571

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.

For assets used for business operations where there was a significant decline in profitability, the book value was written down to the recoverable amounts. As result, an impairment loss ¥1,950 million was recorded as an extraordinary loss. The recoverable amounts of these assets were measured at their net realizable value. The net realizable value was based on the estimated sales value.

11. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other consolidated comprehensive income for the year ended March 31, 2018 and 2019			
Unrealized gain on available-for sale securities			
Amount arising during the year.....	¥606	¥(1,010)	\$ (9,105)
Reclassification adjustments for gains and losses recognized in the income statement.....	(267)	343	3,095
Amount before tax effect adjustment.....	338	(667)	(6,009)
Tax effect.....	(70)	317	2,864
Total.....	268	(349)	(3,145)
Foreign currency translation adjustments			
Amount arising during the year.....	640	(1,041)	(9,380)
Total.....	640	(1,041)	(9,380)
Remeasurements of defined benefit plans			
Amount arising during the year.....	18	(44)	(400)
Reclassification adjustments for gains and losses recognized in the income statement.....	85	87	789
Amount before tax effect adjustment.....	103	43	388
Tax effect.....	(31)	(13)	(118)
Total.....	71	29	269
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year.....	308	(274)	(2,472)
Reclassification adjustments for gains and losses recognized in the income statement.....	—	—	—
Total.....	308	(274)	(2,472)
Total.....	1,289	(1,634)	(14,728)

12. 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.

Defined benefit plans

Movements in retirement benefit obligations except plan applied simplified method for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1.....	¥2,467	¥2,516	\$22,676
Service cost.....	160	160	1,447
Interest cost.....	22	22	205
Actuarial loss (gain).....	0	8	72
Benefits paid.....	(134)	(74)	(666)
Balance at March 31.....	2,516	2,634	23,736

Movements in plan assets except plan applied simplified method for the years ended March 31, 2018 and 2019 were as follows

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1.....	¥1,597	¥1,674	\$15,091
Expected return on plan assets.....	26	28	255
Actuarial loss(gain).....	19	(36)	(327)
Contributions paid by the employer.....	166	178	1,604
Benefit paid.....	(134)	(74)	(666)
Balance at March 31.....	1,674	1,770	15,956

Movements in liability for retirement benefits based on the simplified method for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1.....	¥54	¥(46)	\$ (417)
Retirement benefit costs.....	22	27	243
Benefit paid.....	(1)	(4)	(39)
Increase in retirement benefit asset from newly consolidated subsidiary...	(114)	—	—
Other.....	(6)	6	59
Balance at March 31.....	(46)	(16)	(153)
Liability for retirement benefits.....	57	59	531
Asset for retirement benefits.....	(103)	(76)	(684)
Total net liability (asset) for retirement benefits at March 31.....	(46)	(16)	(153)

Reconciliation from retirement benefit obligations and plan assets to liability (asset) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligations.....	¥2,676	¥2,808	\$25,306
Plan assets.....	(1,938)	(2,021)	(18,211)
	737	787	7,094
Unfunded retirement benefit obligations.....	57	59	531
Total net liability (asset) for retirement benefits at March 31.....	795	846	7,626
Liability for retirement benefits.....	899	922	8,311
Asset for retirement benefits.....	(103)	(76)	(684)
Total net liability (asset) for retirement benefits at March 31.....	795	846	7,626

Retirement benefit costs for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost.....	¥160	¥160	\$1,447
Interest cost.....	22	22	205
Expected return on plan assets.....	(26)	(28)	(255)
Net actuarial loss amortization.....	85	87	789
Retirement benefit costs calculated by the simplified method.....	22	27	243
Total retirement benefit costs for year ended March 31.....	264	269	2,431

Breakdown of items recognized in other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial differences.....	¥(103)	¥(43)	\$ (388)
Total.....	(103)	(43)	(388)

Breakdown of items recognized in accumulated other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial differences.....	¥95	¥52	\$475
Total.....	95	52	475

Plan assets comprise for the years ended March 31, 2018 and 2019 were as follows:

	As of March 31	
	2018	2019
Plan assets comprise:		
Domestic Bonds.....	12.2%	12.0%
Domestic Stocks.....	17.1	15.9
Foreign Bonds.....	4.1	4.3
Foreign Stocks.....	9.8	11.3
Insurance assets (General account).....	47.2	50.0
Other.....	9.6	6.5
Total.....	100.0	100.0

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Actuarial assumptions for the years ended March 31, 2018 and 2019 were as follows:

	As of March 31	
	2018	2019
Discount rate.....	1.0%	1.0%
Expected rate of return on plan assets.....	1.9	1.9
Future salary increase rate.....	2.6	2.6

Defined contribution plans

The estimated amount of contributions to defined contribution plans at March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
The estimated amount of contributions to defined contribution plans.....	¥63	¥67	\$605
Total.....	63	67	605

13. Segment information

notes:

Summary of report segment

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies divides the business into 2 segments: Specialty Steel & Wire Products Division-related business segment manufactures prestressing steel bars, deform prestressing steel bars, shear reinforcement bars for civil engineering and construction works, and Induction Heated, Quenched and Tempered Wire (ITW), etc. mainly for automobile and motorcycle suspension springs. The Induction Heat Treatment Service and Heating Machine Division-related business segment provides induction heat treatment services for major security parts of automobiles and machine tools. The segment also manufactures auto parts and construction machine parts, as well as induction heating equipment for various industries.

Calculating methods of amounts of sales, profit (loss), assets and liabilities etc of each reportable segment

The accounting policies of the segments are substantially the same as those described in the “Summary of Significant Accounting Policies (Note 1)”. Segment profit (loss) are based on operating income. Intersegment sales are mainly based on market price.

Operations in different industries:

- (1) Specialty Steel and Wire Products Division: Prestressing Steel Bars & Wires, Spiral Wires, etc.
- (2) Induction Heat Treatment Service and Heating Machine Division: Surface heat treatment, Induction heating machine, automobile components, etc.
- (3) Others: Leasing and others

	Millions of yen				
	2018				
	Reportable segment		Total	Others	Total
(1)	(2)	(3)			
Sales:					
Customers.....	¥21,282	¥27,569	¥48,852	¥128	¥48,980
Inter-segment.....	—	3	3	—	3
Total.....	21,282	27,573	48,856	128	48,984
Segment profit.....	1,562	2,034	3,597	59	3,656
Segment assets.....	21,369	39,312	60,682	2,063	62,745
Other items					
Depreciation and amortization.....	794	1,983	2,777	86	2,864
Increase in property, plant and equipment and intangible assets.....	939	6,173	7,112	59	7,172

	Millions of yen				
	2019				
	Reportable segment		Total	Others	Total
	(1)	(2)		(3)	
Sales:					
Customers.....	¥21,552	¥31,332	¥52,885	¥130	¥53,015
Inter-segment.....	—	5	5	—	5
Total.....	21,552	31,338	52,890	130	53,021
Segment profit.....	1,446	2,065	3,511	57	3,569
Segment assets.....	18,499	42,867	61,366	1,817	63,184
Other items					
Depreciation and amortization.....	808	2,425	3,233	14	3,248
Increase in property, plant and equipment and intangible assets.....	609	3,983	4,593	248	4,841
	Thousands of U.S. dollars				
	2019				
	Reportable segment		Total	Others	Total
	(1)	(2)		(3)	
Sales:					
Customers.....	\$194,180	\$282,304	\$476,484	\$1,178	\$477,663
Inter-segment.....	—	53	53	—	53
Total.....	194,180	282,357	476,538	1,178	477,716
Segment profit.....	13,030	18,606	31,636	521	32,157
Segment assets.....	166,673	386,227	552,900	16,378	569,279
Other items					
Depreciation and amortization.....	7,283	21,850	29,134	130	29,264
Increase in property, plant and equipment and intangible assets.....	5,493	35,894	41,388	2,236	43,625

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Sales:			
Reportable segment total.....	¥48,856	¥52,890	\$476,538
Sales in "Others".....	128	130	1,178
Elimination of inter-segment transaction.....	(3)	(5)	(53)
Sales in consolidated financial statements.....	48,980	53,015	477,663
	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit:			
Reportable segment total.....	¥3,597	¥3,511	\$31,636
Profit in "Others".....	59	57	521
Elimination of inter-segment transaction.....	—	—	—
Operating income in consolidated financial statements.....	3,656	3,569	32,157
	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets:			
Reportable segment total.....	¥60,682	¥61,366	\$552,900
Assets in "Others".....	2,063	1,817	16,378
Corporate assets.....	19,365	17,466	157,370
Assets in consolidated financial statements.....	82,110	80,650	726,649

Other items are as follows:

	Millions of yen			
	2018			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.....	¥2,777	¥86	¥32	¥2,897
Increase in property, plant and equipment and intangible assets.....	7,112	59	39	7,211

	Millions of yen			
	2019			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.....	¥3,233	¥14	¥19	¥3,267
Increase in property, plant and equipment and intangible assets.....	4,593	248	30	4,872

	Thousands of U.S. dollars			
	2019			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.....	\$29,134	\$130	\$174	\$29,438
Increase in property, plant and equipment and intangible assets.....	41,388	2,236	274	43,899

Related information

Information about products and services

	Millions of yen						
	2018						
	Prestressing steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	¥9,038	¥11,146	¥14,966	¥6,223	¥6,377	¥1,227	¥48,980

	Millions of yen						
	2019						
	Prestressing steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	¥8,958	¥11,495	¥16,468	¥6,910	¥8,216	¥967	¥53,015

	Thousands of U.S. dollars						
	2019						
	Prestressing steel bars	ITW	Heat treatment	Automobile component parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	\$80,713	\$103,567	\$148,377	\$62,259	\$74,025	\$8,718	\$477,663

Information about geographical areas

	Millions of yen					
	2018					
	Japan	Asia	North America	Europe	Others	Total
Net sales.....	¥36,225	¥8,929	¥2,671	¥1,149	¥3	¥48,980

	Millions of yen					
	2019					
	Japan	Asia	North America	Europe	Others	Total
Net sales.....	¥38,341	¥9,596	¥3,381	¥1,677	¥18	¥53,015

	Thousands of U.S. dollars					
	2019					
	Japan	Asia	North America	Europe	Others	Total
Net sales.....	\$345,450	\$86,462	\$30,466	\$15,115	\$167	\$477,663

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

	Millions of yen					
	2018					
	Japan	Asia	North America	Europe	Others	Total
Property, plant and equipment...	¥23,417	¥4,060	¥952	¥1,876	¥672	¥30,980

	Millions of yen					
	2019					
	Japan	Asia	North America	Europe	Others	Total
Property, plant and equipment...	¥23,414	¥3,600	¥1,242	¥1,605	¥338	¥30,201

	Thousands of U.S. dollars					
	2019					
	Japan	Asia	North America	Europe	Others	Total
Property, plant and equipment...	\$210,962	\$32,436	\$11,192	\$14,465	\$3,049	\$272,107

14. 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 26, 2019.

Cash dividends	Millions of yen	Thousands of U.S. dollars
	¥13 per share (applicable to the six-month period ended March 31, 2019).....	¥530

Independent Auditor's Report

To The Board of Directors of Neturen Co., Ltd.

We have audited the accompanying consolidated financial statements of Neturen Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2019, the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Neturen Co., Ltd. and its subsidiaries as of March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2019 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in Note2 of the notes to consolidated financial statements.

Inoue Audit Corporation
INOUE AUDIT CORPORATION

Tokyo, Japan

June 26, 2019

CORPORATE DATA

Head Office:

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<http://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: 43,790,500 shares

Number of shareholders: 14,814

Number of Employees:

1,597(Consolidated)

(As of March 31, 2019)

Directors and Corporate Auditors:**President (Representative Director)**

Shigeru Mizoguchi

Managing Director

Katsumi Omiya

Tetsuji Murata

Director

Tomokatsu Yasukawa

Takashi Suzuki

Nobumoto Ishiki

Yoshitaka Misaka

Nobuhiro Murai

Outside Director

Yasuko Teraura

Mineo Hanai

Standing Audit & Supervisory Board Member

Hitoshi Inagaki

Outside Audit & Supervisory Board Member

Hiroshi Yoshimine

Takeshi Nakano

(As of June 26, 2019)