

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 11, 2023

Company name: Neturen Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5976

URL: <https://www.k-neturen.co.jp/>

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Scheduled date of the ordinary general meeting of shareholders: June 28, 2023

Scheduled date of commencing dividend payments: June 29, 2023

Scheduled date of filing securities report: June 29, 2023

Availability of supplementary explanatory materials on annual financial results: Available

Availability of annual financial results briefing: Available (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|-------------------|-------------|------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended | | | | | | | | |
| March 31, 2023 | 57,524 | 8.5 | 2,396 | (35.3) | 3,088 | (30.1) | 381 | (85.8) |
| March 31, 2022 | 53,004 | 24.5 | 3,704 | 302.6 | 4,418 | 199.4 | 2,690 | 903.4 |

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥3,118 million [(42.5%)]

Fiscal year ended March 31, 2022: ¥5,420 million [301.2%]

| | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|-------------------|--------------------------|----------------------------|------------------|--|--|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2023 | 9.89 | – | 0.6 | 3.8 | 4.2 |
| March 31, 2022 | 67.45 | – | 4.6 | 5.6 | 7.0 |

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended March 31, 2023: ¥127 million

Fiscal year ended March 31, 2022: ¥143 million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2023 | 79,888 | 66,549 | 74.3 | 1,575.08 |
| As of March 31, 2022 | 82,003 | 66,859 | 72.7 | 1,494.67 |

(Reference) Equity: As of March 31, 2023: ¥59,394 million

As of March 31, 2022: ¥59,646 million

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at year-end |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|
| Fiscal year ended | Million yen | Million yen | Million yen | Million yen |
| March 31, 2023 | 3,888 | (1,203) | (4,286) | 16,911 |
| March 31, 2022 | 6,335 | (40) | (1,970) | 18,099 |

2. Dividends

| | Annual dividends | | | | | Total dividends (annual) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|--|------------------|-----------------|-----------------|----------|-------|--------------------------|-----------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended March 31, 2022 | – | 13.00 | – | 17.00 | 30.00 | 1,197 | 44.5 | 2.1 |
| Fiscal year ended March 31, 2023 | – | 15.00 | – | 15.00 | 30.00 | 1,141 | 303.2 | 2.0 |
| Fiscal year ending March 31, 2024 (Forecast) | – | 24.00 | – | 24.00 | 48.00 | | 90.5 | |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Basic earnings per share |
|------------|-------------|------|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 31,000 | 11.3 | 1,000 | (28.2) | 1,200 | (40.9) | 800 | (34.5) | 21.22 |
| Full year | 63,000 | 9.5 | 2,800 | 16.8 | 3,300 | 6.9 | 2,000 | 424.2 | 53.04 |

* Notes:

(1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly included: –

Excluded: –

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

March 31, 2023: 38,678,700 shares

March 31, 2022: 40,906,500 shares

2) Total number of treasury shares at the end of the year:

March 31, 2023: 970,011 shares

March 31, 2022: 1,000,118 shares

3) Average number of shares during the year:

Year ended March 31, 2023: 38,560,052 shares

Year ended March 31, 2022: 39,892,858 shares

(Note) For the number of shares that form the basis for calculation of basic earnings per share (consolidated), please refer to 3. Consolidated Financial Statements and Primary Notes, (5) Notes to Consolidated Financial Statements, (Per share information) on page 18.

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

(Notes on forward-looking statements, etc.)

The forward-looking statements contained in this document are based on judgments made in accordance with information available at the time of the release of this document and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.

For the assumptions used for the financial results forecast as well as precautions regarding the use of such forecast, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments.

(Access to the materials for the annual financial results briefing session)

The annual financial results briefing session (for institutional investors and analysts) is scheduled for May 25, 2023. Supplementary materials for the financial results (materials for the annual financial results briefing session) will be disclosed via TDnet and on the Company’s website following the briefing session.

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1. Overview of Operating Results, etc.

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

During the fiscal year under review, both the Japanese economy and global economy showed signs of recovery, achieving a good balance between the countermeasures against the novel coronavirus disease (COVID-19) and the social and economic activities. However, lockdowns in some cities in China and the resurgence of the disease due to the policy change afterward negatively affected the global economy and logistics. In addition, stagnant production due to the shortage of parts such as semiconductors was prolonged beyond expectation, and costs continued to increase due to soaring costs for materials such as steel, electricity costs, and logistics costs. Furthermore, the turmoil in the world economy over the situation in Ukraine and the drastic depreciation of yen due to the widening differences in interest rates between Japan and the United States have spurred soaring resource and energy prices, deteriorating the business environment of companies.

Under these circumstances, the Group has been enhancing its corporate value by promoting the basic policies 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.

However, while orders from the civil engineering and construction industry, construction machinery industry, and machine tools industry have remained relatively strong, orders from the automobile industry have not reached a full-fledged recovery yet, despite the forecast to recover in the latter half of the year.

As a result, net sales for the fiscal year under review were a record high of ¥57,524 million (up 8.5% year on year), affected by the revision of selling prices and the foreign currency exchanges on the financial results of consolidated subsidiaries overseas due to the depreciation of yen. Operating income was ¥2,396 million (down 35.3% year on year), significantly affected by the soaring costs for materials and electricity, etc., being unable to fully offset the increased costs, despite the efforts for the revision of selling prices and the reduction of costs. Ordinary income was ¥3,088 million (down 30.1% year on year) and profit attributable to owners of parent was ¥381 million (down 85.8% year on year) mainly due to the recording of an impairment loss of ¥1,852 million as extraordinary losses.

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 mainly due to strong orders and the successful transfer of the cost increase, such as material costs and electricity costs, to the selling price of civil engineering-related products. Net sales of automobiles-related products increased year on year due to the increased sales volume mainly overseas, the successful reflection of increased costs on selling prices, the depreciation of yen, and other factors. Net sales of construction equipment-related products increased year on year due to strong orders.

As a result, net sales were ¥36,870 million (up 18.2% year on year). Operating income was ¥986 million (down 25.1% year on year), due to the delays in the transfer of the cost increase in main construction-related products, reduced production by domestic automobile manufacturers due to the shortage in parts such as semiconductors, and the decline in productivity due to the unstable supply of some materials for construction machineries.

2) Induction Heating Division

Net sales of induction heat treatment-related services decreased year on year. Though orders from the construction machinery industry and machine tools industry remained solid, orders from the automobile-related industry remained lower than expected due to the prolonged shortage of parts such as semiconductors, and the sales for the construction machinery industry and machine tools industry could not offset the decline of the orders from the automobile industry. Net sales of induction heating equipment and related services decreased year on year because sales for multiple projects were postponed to the next fiscal year due to the effects of the COVID-19 and the shortage of parts, while orders remained solid.

As a result, net sales were ¥20,514 million (down 5.3% year on year). Operating income was ¥1,353 million (down 41.9% year on year), mainly due to the manufacturing cost increase driven by the soaring electricity costs in induction heat treatment-related services, the low level of orders from the automobile-related customers beyond expectation, and the deterioration in production efficiency driven by the short-term fluctuation in orders.

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 ¥139 million (up 5.0% year on year), and operating income was ¥51 million (down 4.9% 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 ¥79,888 million (down 2.6% year on year). This was mainly due to a decrease in cash and deposits as a result of the purchase of treasury shares, and a decrease in property, plant and equipment as a result of recording an impairment loss, despite an increase in inventories.

Total liabilities at the end of the fiscal year under review were ¥13,338 million (down 11.9% year on year). This was mainly due to decreases in income taxes payable, and long-term borrowings.

Net assets at the end of the fiscal year under review were ¥66,549 million (down 0.5% year on year). This was mainly due to a decrease in retained earnings as a result of recording an impairment loss and proactively implementing the purchase of treasury shares, despite an increase in foreign currency translation adjustment due to the depreciation of yen.

As a result, the equity ratio as of the end of the fiscal year under review stood at 74.3%.

(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 ¥16,911 million (a decrease of ¥1,188 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 ¥3,888 million (¥6,335 million in net cash provided in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥1,279 million and an impairment loss without cash outflow of ¥1,852 million, and a decrease in trade receivables of ¥888 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥1,203 million (¥40 million in net cash used in the previous fiscal year).

This was mainly due to a purchase of property, plant and equipment of ¥1,240 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥4,286 million (¥1,970 million in net cash used in the previous fiscal year).

This was mainly due to a purchase of treasury shares of ¥1,500 million, dividends paid of ¥1,254 million, and repayments of long-term borrowings of ¥540 million.

(Reference) Trends in cash flow-related indicators

| | Fiscal years ended March 31 | | | | |
|--|-----------------------------|-------|-------|-------|------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Equity ratio | 72.2 | 73.8 | 74.4 | 72.7 | 74.3 |
| Equity ratio based on market value | 45.1 | 37.7 | 32.1 | 28.8 | 32.8 |
| Interest-bearing debt to cash flow ratio | 0.8 | 0.5 | 0.7 | 0.3 | 0.4 |
| Interest coverage ratio | 109.7 | 167.5 | 107.4 | 145.4 | 65.6 |

(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

Economic trends in Japan and overseas is expected to remain on a gradual recovery track with the relaxation of the restrictions on economic and social activities due to COVID-19. However, there are still concerns about production stagnation due to a shortage of parts such as semiconductors, cost increases due to soaring costs for materials such as steel, electricity costs, and logistics costs. Additionally, geopolitical risks such as the prolonged conflict in Ukraine, global inflation and financial instability may bring about the strong sense of stagnation.

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 revised the numerical targets of the 15th medium-term management plan “Change!! New NETUREN 2023” (a plan covering the three years from April 2021 to March 2024). For details, please refer to the “Notice Concerning Revisions to the 15th Medium-term Management Plan” announced today (May 11, 2023).

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 costs and electricity costs, to the selling price. Through these efforts, we forecast a record-high consolidated net sales of ¥63,000 million, operating income of ¥2,800 million, ordinary income of ¥3,300 million, and profit attributable to owners of parent of ¥2,000 million for the fiscal year ending March 31, 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.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

Dividends for the fiscal year ended March 31, 2023

In addition to its policy of maintaining stable dividends, the Company has a basic policy to distribute profits in accordance with its business performance and to make decisions on dividends, considering the business environment and financial conditions surrounding the Group.

As a general rule, the minimum amount of “stable dividends” is a dividend on equity (DOE) rate of 1.5%, and as for “distributing profits in accordance with business performance,” the target is a consolidated payout ratio of at least 40%.

With regard to the year-end dividend (ordinary dividend) for the fiscal year ended March 31, 2023, though profit attributable to owners of parent significantly decreased due to an impairment loss, etc., operating income almost achieved the figures in the forecast announced on February 7, 2023. Under these circumstances, we propose a year-end dividend of ¥15 per share, placing importance on shareholder returns and taking into comprehensive consideration its business performance, financial conditions, and other factors.

As a result, the total annual dividend, including the interim dividend of ¥15, will be ¥30.

Dividends for the fiscal year ending March 31, 2024

The Company has changed its dividend policy to be with a DOE rate of 3.0% or more, aiming for the “stable dividends” regardless of its business performance, under the basic policy of continuing stable distribution of dividends to shareholders, while seeking strategic investments toward growth and stable business management. For details, please refer to the “Notice Concerning Revision to Dividend Policy” announced today (May 11, 2023).

For the fiscal year ending March 31, 2024, there are uncertainties on our business environment. We, however, plan to pay an interim dividend of ¥24 per share and a year-end dividend of ¥24 per share, for a total annual dividend of ¥48 per share, based on the basic policy of the revised dividend policy.

2. Basic Policy on Selection of Accounting Standards

The Group’s policy for the time being is to prepare consolidated financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), taking into consideration the comparability of consolidated financial statements from period to period and from company to company.

With regard to the adoption of International Financial Reporting Standards (IFRS), the Group’s policy is to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,213 | 18,320 |
| Notes and accounts receivable - trade, and contract assets | 12,696 | 11,646 |
| Electronically recorded monetary claims | 2,954 | 3,364 |
| Securities | 338 | 158 |
| Finished goods | 1,170 | 1,459 |
| Work in process | 1,781 | 1,877 |
| Raw materials and supplies | 2,847 | 3,547 |
| Other | 1,773 | 2,198 |
| Allowance for doubtful accounts | (52) | (189) |
| Total current assets | 42,723 | 42,383 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 21,938 | 22,466 |
| Accumulated depreciation | (13,643) | (14,373) |
| Buildings and structures, net | 8,295 | 8,093 |
| Machinery, equipment and vehicles | 51,147 | 50,959 |
| Accumulated depreciation | (42,597) | (44,733) |
| Machinery, equipment and vehicles, net | 8,549 | 6,225 |
| Land | 9,848 | 9,890 |
| Leased assets | 617 | 593 |
| Accumulated depreciation | (141) | (201) |
| Leased assets, net | 475 | 391 |
| Construction in progress | 627 | 560 |
| Other | 2,595 | 2,739 |
| Accumulated depreciation | (2,324) | (2,414) |
| Other, net | 271 | 325 |
| Total property, plant and equipment | 28,067 | 25,486 |
| Intangible assets | | |
| Leasehold interests in land | 669 | 691 |
| Other | 108 | 113 |
| Total intangible assets | 778 | 805 |
| Investments and other assets | | |
| Investment securities | 8,737 | 9,809 |
| Long-term loans receivable | 20 | 18 |
| Retirement benefit asset | 71 | 3 |
| Deferred tax assets | 135 | 110 |
| Other | 1,547 | 1,413 |
| Allowance for doubtful accounts | (79) | (141) |
| Total investments and other assets | 10,434 | 11,212 |
| Total non-current assets | 39,280 | 37,504 |
| Total assets | 82,003 | 79,888 |

(Million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable – trade | 3,755 | 3,913 |
| Electronically recorded obligations – operating | 3,451 | 3,367 |
| Short-term borrowings | 1,412 | 1,262 |
| Lease obligations | 69 | 66 |
| Income taxes payable | 974 | 172 |
| Provision for bonuses | 708 | 558 |
| Provision for bonuses for directors (and other officers) | 41 | 12 |
| Provision for share awards for directors (and other officers) | – | 8 |
| Other | 2,611 | 2,435 |
| Total current liabilities | 13,026 | 11,797 |
| Non-current liabilities | | |
| Long-term borrowings | 738 | 138 |
| Provision for share awards for directors (and other officers) | 7 | 6 |
| Lease obligations | 429 | 408 |
| Deferred tax liabilities | 335 | 478 |
| Retirement benefit liability | 450 | 362 |
| Other | 156 | 146 |
| Total non-current liabilities | 2,117 | 1,540 |
| Total liabilities | 15,144 | 13,338 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,418 | 6,418 |
| Capital surplus | 2,407 | 1,627 |
| Retained earnings | 49,174 | 47,639 |
| Treasury shares | (790) | (688) |
| Total shareholders' equity | 57,209 | 54,997 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,327 | 1,868 |
| Foreign currency translation adjustment | 959 | 2,361 |
| Remeasurements of defined benefit plans | 150 | 167 |
| Total accumulated other comprehensive income | 2,436 | 4,397 |
| Non-controlling interests | 7,212 | 7,155 |
| Total net assets | 66,859 | 66,549 |
| Total liabilities and net assets | 82,003 | 79,888 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Net sales | 53,004 | 57,524 |
| Cost of sales | 41,712 | 47,279 |
| Gross profit | 11,292 | 10,245 |
| Selling, general and administrative expenses | | |
| Selling expense | 2,631 | 2,789 |
| General and administrative expenses | 4,956 | 5,059 |
| Total selling, general and administrative expenses | 7,588 | 7,848 |
| Operating income | 3,704 | 2,396 |
| Non-operating income | | |
| Interest income | 71 | 79 |
| Dividend income | 96 | 146 |
| Financial aid | 29 | 15 |
| Subsidy income | 18 | 3 |
| Insurance claim and dividend income | 46 | 78 |
| Share of profit of entities accounted for using equity method | 143 | 127 |
| Gain on sales of scraps | 177 | 173 |
| Foreign exchange gains | 139 | 104 |
| Other | 59 | 69 |
| Total non-operating income | 782 | 797 |
| Non-operating expenses | | |
| Interest expenses | 43 | 59 |
| Provision of allowance for doubtful accounts | 0 | 28 |
| Depreciation of inactive non-current assets | 6 | 4 |
| Other | 18 | 12 |
| Total non-operating expenses | 68 | 105 |
| Ordinary income | 4,418 | 3,088 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 22 | 21 |
| Gain on sales of investment securities | 214 | 7 |
| Insurance claim income | 1 | 5 |
| Subsidy income | 72 | 17 |
| Other | 12 | – |
| Total extraordinary income | 322 | 51 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | – |
| Loss on retirement of non-current assets | 13 | 8 |
| Impairment loss | 241 | 1,852 |
| Other | 17 | – |
| Total extraordinary losses | 273 | 1,860 |

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Profit before income taxes | 4,467 | 1,279 |
| Income taxes – current | 1,245 | 595 |
| Income taxes – deferred | 96 | (33) |
| Total income taxes | 1,342 | 562 |
| Profit | 3,125 | 716 |
| Profit attributable to: | | |
| Profit attributable to owners of parent | 2,690 | 381 |
| Profit attributable to non-controlling interests | 434 | 335 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (524) | 475 |
| Foreign currency translation adjustment | 1,921 | 1,502 |
| Remeasurements of defined benefit plans, net of tax | 31 | 16 |
| Share of other comprehensive income of entities accounted for using equity method | 867 | 406 |
| Total other comprehensive income | 2,295 | 2,401 |
| Comprehensive income | 5,420 | 3,118 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 4,319 | 2,341 |
| Comprehensive income attributable to non-controlling interests | 1,101 | 776 |

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| 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 shares | | | | (0) | (0) |
| Disposal of treasury shares | | (9) | | 35 | 25 |
| Cancellation of treasury shares | | (2,280) | | 2,280 | – |
| Transfer from retained earnings to capital surplus | | | | | – |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | – |
| Capital increase of consolidated subsidiaries | | | | | – |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes of items during period | – | (2,290) | 1,813 | 2,315 | 1,838 |
| Balance at March 31, 2022 | 6,418 | 2,407 | 49,174 | (790) | 57,209 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at March 31, 2021 | 1,141 | (452) | 118 | 807 | 6,481 | 62,714 |
| Cumulative effects of changes in accounting policies | | | | | | (53) |
| Restated balance | 1,141 | (452) | 118 | 807 | 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) |
| Disposal of treasury shares | | | | | | 25 |
| Cancellation of treasury shares | | | | | | – |
| Transfer from retained earnings to capital surplus | | | | | | – |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | – |
| Capital increase of consolidated subsidiaries | | | | | | – |
| Net changes in items other than shareholders' equity | 185 | 1,411 | 31 | 1,629 | 731 | 2,360 |
| Total changes of items during period | 185 | 1,411 | 31 | 1,629 | 731 | 4,198 |
| Balance at March 31, 2022 | 1,327 | 959 | 150 | 2,436 | 7,212 | 66,859 |

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at March 31, 2022 | 6,418 | 2,407 | 49,174 | (790) | 57,209 |
| Cumulative effects of changes in accounting policies | | | | | – |
| Restated balance | 6,418 | 2,407 | 49,174 | (790) | 57,209 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (1,254) | | (1,254) |
| Profit attributable to owners of parent | | | 381 | | 381 |
| Purchase of treasury shares | | | | (1,500) | (1,500) |
| Disposal of treasury shares | | (2) | | 22 | 20 |
| Cancellation of treasury shares | | (1,580) | | 1,580 | – |
| Transfer from retained earnings to capital surplus | | 661 | (661) | | – |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 151 | | | 151 |
| Capital increase of consolidated subsidiaries | | (11) | | | (11) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes of items during period | – | (780) | (1,534) | 102 | (2,212) |
| Balance at March 31, 2023 | 6,418 | 1,627 | 47,639 | (688) | 54,997 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at March 31, 2022 | 1,327 | 959 | 150 | 2,436 | 7,212 | 66,859 |
| Cumulative effects of changes in accounting policies | | | | | | – |
| Restated balance | 1,327 | 959 | 150 | 2,436 | 7,212 | 66,859 |
| Changes of items during period | | | | | | |
| Dividends of surplus | | | | | | (1,254) |
| Profit attributable to owners of parent | | | | | | 381 |
| Purchase of treasury shares | | | | | | (1,500) |
| Disposal of treasury shares | | | | | | 20 |
| Cancellation of treasury shares | | | | | | – |
| Transfer from retained earnings to capital surplus | | | | | | – |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | 151 |
| Capital increase of consolidated subsidiaries | | | | | | (11) |
| Net changes in items other than shareholders' equity | 541 | 1,402 | 16 | 1,960 | (56) | 1,903 |
| Total changes of items during period | 541 | 1,402 | 16 | 1,960 | (56) | (309) |
| Balance at March 31, 2023 | 1,868 | 2,361 | 167 | 4,397 | 7,155 | 66,549 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Cash flows from operating activities: | | |
| Profit before income taxes | 4,467 | 1,279 |
| Depreciation | 2,954 | 2,705 |
| Impairment loss | 241 | 1,852 |
| Amortization of goodwill | 4 | – |
| Increase (decrease) in allowance for doubtful accounts | 7 | 196 |
| Increase (decrease) in provision for bonuses | 8 | (150) |
| Decrease (increase) in retirement benefit asset | 17 | 74 |
| Increase (decrease) in retirement benefit liability | (66) | (63) |
| Interest and dividend income | (167) | (225) |
| Interest expenses | 43 | 59 |
| Foreign exchange losses (gains) | (184) | (146) |
| Share of loss (profit) of entities accounted for using equity method | (143) | (127) |
| Loss (gain) on sales of property, plant and equipment | (6) | (21) |
| Loss (gain) on disposal of property, plant and equipment | 13 | 8 |
| Loss (gain) on sales of intangible assets | (15) | – |
| Loss (gain) on sales of investment securities | (214) | (7) |
| Decrease (increase) in trade receivables | (903) | 888 |
| Decrease (increase) in inventories | (907) | (827) |
| Increase (decrease) in trade payables | 1,303 | (13) |
| Increase (decrease) in accrued consumption taxes | 178 | (415) |
| Other, net | 119 | 255 |
| Subtotal | 6,751 | 5,321 |
| Interest and dividend income received | 203 | 280 |
| Interest paid | (47) | (44) |
| Income taxes (paid) refund | (571) | (1,669) |
| Net cash provided by (used in) operating activities | 6,335 | 3,888 |
| Cash flows from investing activities: | | |
| Payments into time deposits | (1,432) | (1,364) |
| Proceeds from withdrawal of time deposits | 1,832 | 1,413 |
| Purchase of securities | (48) | – |
| Proceeds from redemption of securities | – | 52 |
| Purchase of property, plant and equipment | (983) | (1,240) |
| Proceeds from sales of property, plant and equipment | 106 | 22 |
| Purchase of intangible assets | (23) | (45) |
| Proceeds from sales of intangible assets | 52 | – |
| Purchase of investment securities | (4) | (3) |
| Proceeds from sales and redemption of investment securities | 556 | 34 |
| Loan advances | (5) | (18) |
| Collection of loans receivable | 14 | 9 |
| Purchase of long-term prepaid expenses | (80) | (35) |
| Other, net | (24) | (28) |
| Net cash provided by (used in) investing activities | (40) | (1,203) |

(Million yen)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 1,688 | 1,602 |
| Repayments of short-term borrowings | (1,788) | (1,838) |
| Proceeds from long-term borrowings | 10 | – |
| Repayments of long-term borrowings | (541) | (540) |
| Purchase of treasury shares | (0) | (1,500) |
| Dividends paid | (877) | (1,254) |
| Dividends paid to non-controlling interests | (370) | (629) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | – | (65) |
| Other, net | (90) | (61) |
| Net cash provided by (used in) financing activities | (1,970) | (4,286) |
| Effect of exchange rate change on cash and cash equivalents | 465 | 413 |
| Net increase (decrease) in cash and cash equivalents | 4,790 | (1,188) |
| Cash and cash equivalents at beginning of period | 13,309 | 18,099 |
| Cash and cash equivalents at end of period | 18,099 | 16,911 |

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[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 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). Inter-segment net sales and transfers are based on market price.

3 Information on the amount of net sales, profit (loss), assets, liabilities and other items by reportable segment
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 | | |
| Net Sales | | | | | |
| Net sales to external customers | 31,205 | 21,666 | 52,872 | 132 | 53,004 |
| Inter-segment net sales or transfers | – | 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 | 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 |

(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, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

| | Reportable segment | | | Other (Note) | Total |
|---|--|----------------------------|--------|--------------|--------|
| | Specialty Steel and Wire Products Division | Induction Heating Division | Total | | |
| Net Sales | | | | | |
| Net sales to external customers | 36,870 | 20,514 | 57,385 | 139 | 57,524 |
| Inter-segment net sales or transfers | – | 39 | 39 | – | 39 |
| Total | 36,870 | 20,554 | 57,424 | 139 | 57,564 |
| Segment profit | 986 | 1,353 | 2,340 | 51 | 2,391 |
| Segment assets | 30,917 | 27,086 | 58,003 | 1,655 | 59,659 |
| Other items | | | | | |
| Depreciation | 1,208 | 1,484 | 2,692 | 13 | 2,705 |
| Increase in property, plant and equipment and intangible assets | 616 | 633 | 1,249 | 37 | 1,286 |

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

- 4 Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements as well as main components of the differences (items in relation to adjustment of differences)

(Million yen)

| Net Sales | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|--|--|
| Total amount of reportable segment | 52,911 | 57,424 |
| Net sales in “Other” category | 132 | 139 |
| Elimination of intersegment transactions | (39) | (39) |
| Net sales in consolidated financial statements | 53,004 | 57,524 |

(Million yen)

| Profit | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|---|--|--|
| Total amount of reportable segment | 3,644 | 2,340 |
| Profit in “Other” category | 54 | 51 |
| Elimination of intersegment transactions | 5 | 4 |
| Operating income in consolidated financial statements | 3,704 | 2,396 |

(Million yen)

| Assets | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| Total amount of reportable segment | 57,761 | 58,003 |
| Assets in “Other” category | 1,686 | 1,655 |
| Corporate assets (Note) | 22,579 | 20,253 |
| Elimination of intersegment transactions | (25) | (24) |
| Total assets in consolidated financial statements | 82,003 | 79,888 |

(Note) Corporate assets mainly consist of cash and deposits of the parent company, long-term investment funds (investment securities), and assets related to the administrative departments of the Company, all of which do not belong to the reportable segments.

(Million yen)

| Other items | Total amount of reportable segment | | Other | | Adjustment | | Amount recorded in consolidated financial statements | |
|---|--|--|--|--|--|--|--|--|
| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
| Depreciation | 2,939 | 2,692 | 14 | 13 | 0 | (0) | 2,954 | 2,705 |
| Increase in property, plant and equipment and intangible assets | 1,298 | 1,249 | 20 | 37 | 58 | 9 | 1,377 | 1,296 |

(Note) The adjustment amounts for increase in property, plant and equipment and intangible assets mainly consist of the amount of capital expenditure related to the administrative departments that do not belong to the reportable segments.

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

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

| | Reportable segment | | | Other (Note) | Total |
|-----------------|--|----------------------------|-------|--------------|-------|
| | Specialty Steel and Wire Products Division | Induction Heating Division | Total | | |
| Impairment loss | 413 | 1,438 | 1,852 | – | 1,852 |

(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, 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.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--------------------------|---|---|
| Net assets per share | ¥1,494.67 | ¥1,575.08 |
| Basic earnings per share | ¥67.45 | ¥9.89 |

(Notes) 1. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows:

| | For the fiscal year ended March 31, 2022 | For the fiscal year ended March 31, 2023 |
|--|---|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Million yen) | 2,690 | 381 |
| Amount not attributed to common shareholders (Million yen) | — | — |
| Profit attributable to owners of parent related to common shares (Million yen) | 2,690 | 381 |
| Average number of shares outstanding during the fiscal year (Shares) | 39,892,858 | 38,560,052 |

(Significant subsequent events)

Not applicable.