Annual Securities Report

(Report Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal Year	From April 1 2022
(112th Fiscal Term)	To March 31 2023

Neturen Co., Ltd.

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[Document Submitted]	Annual Securities Report (*Yukashoken Hokokusho*)
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[Place Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

I. Overview of the Company

1. Key Financial Indicators and Trends

Consolidated financial data, etc.

		108th	109th	110th	111th	112th
Fiscal year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(Million yen)	53,015	48,806	42,567	53,004	57,524
Ordinary profit	(Million yen)	4,080	2,071	1,475	4,418	3,088
Profit attributable to owners of parent	(Million yen)	950	250	268	2,690	381
Comprehensive income	(Million yen)	(127)	(594)	1,351	5,420	3,118
Net assets	(Million yen)	64,598	62,772	62,714	66,859	66,549
Total assets	(Million yen)	80,650	76,277	75,574	82,003	79,888
Net assets per share	(Yen)	1,427.94	1,379.16	1,410.69	1,494.67	1,575.08
Basic earnings per share	(Yen)	23.21	6.14	6.59	67.45	9.89
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	72.2	73.8	74.4	72.7	74.3
Return on equity	(%)	1.6	0.4	0.5	4.6	0.6
Price earnings ratio	(Times)	38.4	114.7	92.4	8.8	70.3
Net cash provided by (used in) operating activities	(Million yen)	4,622	6,298	3,969	6,335	3,888
Net cash provided by (used in) investing activities	(Million yen)	(5,510)	(4,020)	(758)	(40)	(1,203)
Net cash provided by (used in) financing activities	(Million yen)	(130)	(1,810)	(1,595)	(1,970)	(4,286)
Cash and cash equivalents at end of period	(Million yen)	11,286	11,697	13,309	18,099	16,911
Number of employees [In addition, average number of temporary staff]	(Persons)	1,597 [265]	1,640 [244]	1,571 [226]	1,604 [231]	1,596 [249]

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

2. The significant decreases in profit attributable to owners of parent in the 108th, 109th, 110th, and 112th fiscal years are mainly attributable to the recording of impairment losses on non-current assets.

3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the 111th fiscal year. Key financial indicators and other data for the 111th fiscal year onward are calculated after the application of these accounting standards.

2.Description of Business Operations

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.

3. Information on Subsidiaries and Affiliates

Name	Address	Share capital (Million yen)	Main business	Ratio of voting rights held (%)	Relationship
[Consolidated subsidiaries]					
Neturen Heat Treat Co., Ltd. (Note 2)	Shinagawa-ku, Tokyo	80	Induction Heating Division	100	Engaged in metal heat treatment services. Concurrent service by officers
Neturen Hymec Co., Ltd.	Shinagawa-ku, Tokyo	80	Induction Heating Division	100	Engaged in the manufacturing and sale of machinery and equipment, etc. Concurrent service by officers
Kyushu Koushuha Neturen Co., Ltd.	Wakamatsu-ku, Kitakyushu-shi, Fukuoka	36	Induction Heating Division	100	Engaged in metal heat treatment services. Concurrent service by officers
Neturen Takuto Co., Ltd.	Minami-ku, Hamamatsu-shi, Shizuoka	83	Induction Heating Division	100	Engaged in the manufacturing and sale of machinery and equipment, etc.
Neturen Komatsu Co., Ltd. (Note 4)	Komatsu-shi, Ishikawa	40	Induction Heating Division	40	Engaged in metal heat treatment services. Concurrent service by officers
Asahidenpa Kogyosho Co., Ltd.	Higashikurume-shi, Tokyo	80	Induction Heating Division	100	Engaged in the manufacturing and sale of machine parts, etc. Concurrent service by officers
Neturen Hirakata Co., Ltd.	Hirakata-shi, Osaka	20	Induction Heating Division	55	Engaged in metal heat treatment services. Concurrent service by officers
Neturen USA, INC. (Note 2)	Delaware, USA	USD 33 million	Induction Heating Division	100	Management of joint ventures in the USA and maintenance business for induction heating equipment, etc.
NETUREN AMERICA CORPORATION (Notes 2 and 5)	Ohio, USA	USD 31 million	Specialty Steel and Wire Products Division	96.2 (96.2)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA.
Shanghai Neturen Co., Ltd. (Notes 2, 4, and 6)	Shanghai, China	RMB 152 million	Specialty Steel and Wire Products Division	40	Engaged in the manufacturing and sale of automotive parts, etc. in China. Concurrent service by officers
Yancheng Neturen Co., Ltd. (Notes 2 and 4)	Jiangsu, China	RMB 83 million	Induction Heating Division	50	Engaged in the manufacturing and sale of induction heating equipment, automotive parts, etc. and metal heat treatment services in China. Concurrent service by officers
Guangzhou Fengdong Neturen Co., Ltd. (Note 4)	Guangzhou, China	RMB 25 million	Induction Heating Division	50	Engaged in metal heat treatment services in China. Concurrent service by officers

Name	Address	Share capital (Million yen)	Main business	Ratio of voting rights held (%)	Relationship
Neturen (China) Slewing Bearing Co., Ltd. (Note 2)	Shandong, China	RMB 195 million	Specialty Steel and Wire Products Division	100	Engaged in the manufacturing and sale of construction machinery parts, etc. in China. Concurrent service by officers
Neturen Czech s.r.o. (Note 2)	Ústí, Czech Republic	CZK 528 million	Specialty Steel and Wire Products Division	100	Engaged in the manufacturing and sale of automotive parts, etc. in the Czech Republic. Concurrent service by officers
PT. NETUREN INDONESIA (Note 2)	West Java, Republic of Indonesia	IDR 87,440 million	Induction Heating Division	94.2	Engaged in maintenance services business and metal heat treatment services in Indonesia. Concurrent service by officers
NETUREN MEXICO, S.A. de C.V. (Notes 2 and 5)	Aguascalientes, Mexico	MXN 186 million	Induction Heating Division	100 (2)	Engaged in maintenance services business and metal heat treatment services in Mexico. Concurrent service by officers
Korea Neturen Co., Ltd.	Yeongcheon-si, North Gyeongsang, Republic of Korea	KRW 1,000 million	Induction Heating Division	91	Engaged in the manufacturing and sale of induction heating equipment, etc. in South Korea. Concurrent service by officers
[Affiliates accounted for using the equity method] Korea Heat Treatment Co., Ltd.	Pohang-si, North Gyeongsang, Republic of Korea	KRW 1,500 million	Specialty Steel and Wire Products Division	49	Engaged in the manufacturing and sale of civil engineering and construction products, etc. in South Korea. Concurrent service by officers
US Chita Co., Ltd. (Note 5)	Kentucky, USA.	USD 2 million	Specialty Steel and Wire Products Division	20 (20)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA.
NTK Precision Axle Corporation (Note 5)	Indiana, USA	USD 30 million	Induction Heating Division	20 (20)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA.
Tianjin Fengdong Heat Treatment Co., Ltd.	Tianjin, China	RMB 83 million	Induction Heating Division	25	Engaged in metal heat treatment services in China.

(Notes)
1. The “main business” column shows the name of the segment.
2. Specified subsidiary.
3. None of the companies submit securities registration statements or annual securities reports.
4. Although the Company’s equity interest is below 50%, it is a subsidiary of the Company due to effective control.
5. The figures in parentheses ( ) for the ratio of voting rights held correspond to the portion held indirectly.
6. The net sales of Shanghai Neturen Co., Ltd. (excluding internal net sales between consolidated companies) account for over 10% of consolidated net sales.

Key profit/loss information:

	(1) Net sales	¥7,041 million
	(2) Ordinary profit	¥281 million
	(3) Profit	¥272 million
	(4) Net assets	¥5,234 million
	(5) Total assets	¥5,932 million

4. Employees

(1) Consolidated companies

As of March 31, 2023

Segment name	Number of employees (persons)
Specialty Steel and Wire Products Division	545 (43)
Induction Heating Division	896 (167)
Total for reportable segments	1,441 (210)
Other	98 (25)
Corporate	57 (14)
Total	1,596 (249)

(Notes) 1. The number of employees excludes employees seconded from the Group to companies outside the Group but includes employees seconded to the Group from companies outside the Group. In addition, the average numbers of temporary employees employed in the fiscal year under review are shown in parentheses.

2. The number of employees shown as “corporate” is that of those employed in administrative divisions that cannot be classified into any specific segment.

(2) The Company

As of March 31, 2023

Number of employees (persons)	Average age (years)	Average length of employment (years)	Average annual pay (thousand yen)
896 (128)	39.6	13.3	6,028

Segment name	Number of employees (persons)
Specialty Steel and Wire Products Division	348 (27)
Induction Heating Division	393 (62)
Total for reportable segments	741 (89)
Other	98 (25)
Corporate	57 (14)
Total	896 (128)

(Notes) 1. The number of employees excludes employees seconded from the Company to other companies but includes employees seconded to the Company from other companies. In addition, the average numbers of temporary employees employed in the fiscal year under review are shown in parentheses.

2. Average annual pay includes bonuses and overtime pay.

3. The number of employees shown as “corporate” is that of those employed in administrative divisions that cannot be classified into any specific segment.

(3) Proportion of female managers, childcare leave rate of male employees, and gender payment gap

The Company

Fiscal year under review				
Proportion of female managers (%) (Note 1)	Childcare leave rate of male employees (%) (Note 2)	Gender payment gap (%) (Notes 1 and 3)		
	Permanent employees	All employees	Permanent employees	Temporary employees (Note 4)
2.5	62.0	73.4	79.2	64.6

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Proportion of childcare leave, etc. under Article 71-4 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. Payment includes basic salaries, overtime payment, various allowances, bonuses, etc. and excludes retirement benefits, commuting allowance, etc.

4. Temporary employees include retired but reemployed ones on a part-time basis, fixed-term workers, and part-time workers. Payment of part-time workers is calculated based on the actual amounts paid, without converting these to the full-time equivalent.

<Additional explanation of the gender payment gap>

The gender payment gap represents women's one as a percentage of men's. The compensation system is designed to the people in the same position get the same payment regardless the gender. However, a gender payment gap has eventually emerged due to the different gender composition between ranks, including the smaller number of women promoted to highly paid management positions than men.

We have set a target of at least doubling the female managers by March 31, 2026, compared to March 31, 2022, as described in "II. Business Overview 2. Views and Initiatives Concerning Sustainability (4) Metrics and targets."

We will continue to implement initiatives for promoting women's active engagement, aiming to reduce the gender payment gap.

II. Business Overview

1. Management Policies, Business Environment, and Issues to be Addressed, etc.

Forward-looking statements in this section are based on the estimation of the Group as of the end of the fiscal year 2022.

(1) Basic management policy of the Company

We have set the following Group Management Philosophy to share our vision throughout the Group and fulfill our social responsibility.

1) We are continuously developing new products and new businesses based on our core heat treatment technologies in order to contribute to the social transformation.
2) We aim to be a trusted partner of society with superior quality and technology, outstanding customer satisfactory, and transparent and fair corporate culture.
3) We strive for continuous self-reform and for constant growth.
4) We strive to develop our employees and establish lively corporate group with taking care of safety and human health.
5) We commit to take social responsibility as a corporate, based on the principle of symbiosis with the environment.

(2) Management indicators

We focus on improving profitability and capital efficiency to enhance corporate value.

Specifically, we set return on assets (ROA) and return on equity (ROE) as medium to long term management indicators.

(3) Medium to long term business strategies of the Company

We aim to be a vigorous, constantly growing corporate group with self-transformation placing induction heat treatment as a core technology. We have set our long term management vision “NETUREN VISION 2030” (April 2021 to March 2031) as a Group’s goals for the next decade with promoting our induction heating technology which contribute to the society by both ecological and economical prospects.

1) Vision

Contribute to create a sustainable society while continuing to enhance corporate value.

2) Goals

・Enhance corporate value and reduce environmental burden through technologies and products pivoting on induction heat treatment technology, which is an effective way to reduce CO_2 emissions.

・Promote the N-DX*, continue to evolve the company and grow our business globally with all the Group’s employees.

We have established “Evolution and Growth” as the corporate slogan of our long-term management vision. All the companies of Neturen Group will work as one to pursue and achieve our vision and goals, while also strive to comprehensively boost corporate value.

* N-DX: NETUREN Digital Transformation

To achieve this long-term management vision, we have also established the 15th Medium-term Management Plan “Change!! New NETUREN 2023” (April 2021 to March 2024). We have positioned the three years plan as the first phase in achieving our vision, where we aim to help creating a sustainable society and enhance corporate value. The corporate slogan including our will to “Change, Transform, and Evolve the company with our wisdom and experiences to create new NETUREN.”

However, since the establishment of the 15th Medium-term Management Plan, the Group’s business activities have been significantly affected by the economic slowdown due to the spread of the COVID-19 and subsequently happened delays in production due to a shortage of parts including semiconductors and soaring costs for steel and other materials, electricity, and crude oil additionally. In this economic environment, we have worked hard to expand our core business and pass on the increasing cost of materials, electricity, and other inputs in selling prices. However, with the business environment expected to remain adverse, so, we decided to revise our targets for the final year of the 15th Medium-term Management Plan, as shown below.

	Fiscal year ending March 31, 2024 Revised targets	Fiscal year ending March 31, 2024 Initial targets
Net sales	¥63.0 billion	¥56.0 billion
Operating profit	¥2.8 billion	¥4.0 billion
Operating profit margin	4.4%	7.1%
Return on equity (ROE)	3.4% or more	5.0% or more
Return on assets (ROA)	4.2% or more	5.5% or more

(4) Business environment and priority issues to be addressed

The Group’s business environment is changing significantly, so, we have revised the consolidated management targets which was established under our 15th Medium-term Management Plan “Change!! New NETUREN 2023” as described in “(3) Medium- to long-term business strategies of the Company.”

Even in this environment, the Group will continue to aim to increase corporate value by implementing a wide range of measures including the key items below, which comply with the basic strategies set in the 15th Medium-term Management Plan.

1) Increase profit by strengthening the competitiveness of our core businesses and introducing new technologies, new products, and new businesses to the market.
2) Improve our information sharing system by the establishment of the N-DX (NETUREN Digital Transformation)
3) Place the SDGs as the core of management issue, promote CO_2 reduction, and contribute to create sustainable society
4) Motivate human resources who can strengthen the Group’s global sales and marketing capabilities.

2. Views and Initiatives Concerning Sustainability

The Group’s views and initiatives concerning sustainability are described below.
Statements for the future in this section are based on the decision of the Group at the end of the fiscal year 2022.

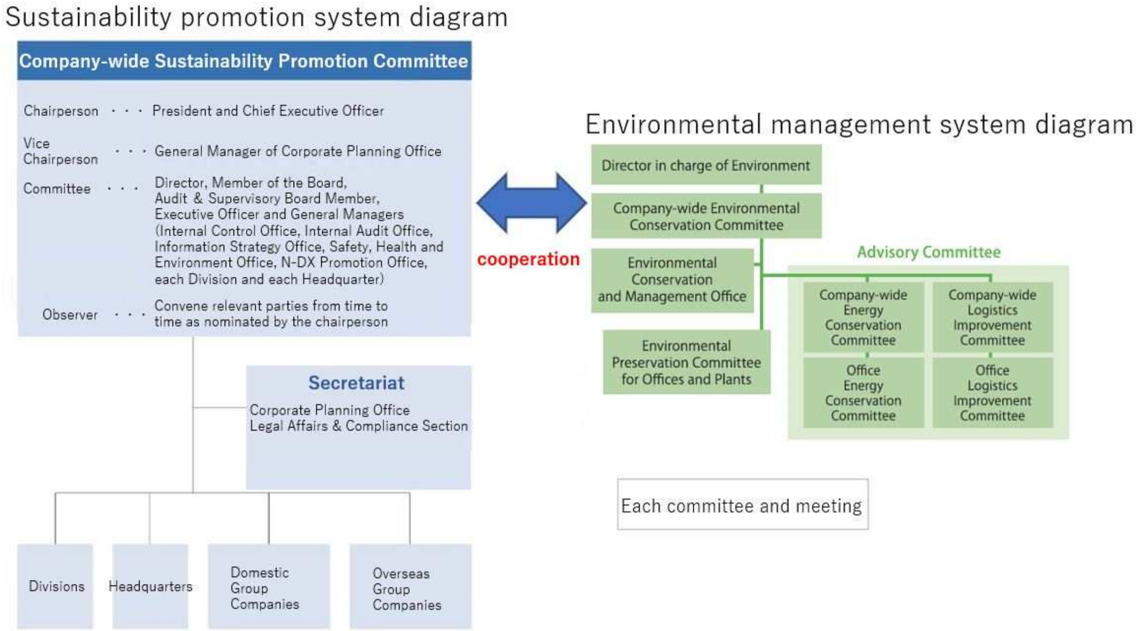
(1) Governance

With the establishment of the NETUREN VISION 2030 and the 15th Medium-term Management Plan “Change!! New NETUREN 2023” starting from April 2021, the Group has further highlighted the importance of contribution to achieving the SDGs and helping creation of sustainable society as management issues. Under the medium- to long-term plan, we decided long-term CO_2 emissions reduction targets for 30% by FY2030 compared to FY2013, and net zero by FY2050, and we are working to achieve them.

The Company-wide CSR Promotion Committee, chaired by the president, formulates and manages the progress of the Group’s CSR activities and deliberates on specific issues.

We have also established a Company-wide Sustainability Promotion Committee, chaired by the president and composed of directors, auditors including outside members, executive officers, general managers of related departments to promote sustainability-focused management further.

In addition to these committees, we have also established Compliance Committee and the company-wide Safety & Health Promotion Committee.



(2) Strategies

Induction heat technology is a green technology with low CO_2 emissions which is core competence of our group. It also boosts production efficiency with short heating times, and contributes to energy conservation. We recognize range of environmental and social issues and work to contribute to sustainable society by creating new value for society through our unique manufacturing capabilities and sustainability-focused management.

The Group Management Philosophy was created considering sustainability and we always pursuit social contribution as our core approach. The NETUREN VISION 2030 and the 15th Medium-term Management Plan were established with the SDGs as a central focus of management.

Strategies in each area are as follows.

1) We are working to quantify Scope 3* CO_2 emissions, in addition to the present Scope 1 and 2 emissions, as a step of decarbonization activity. It is crucial to reduce emissions all along the value chain, so we are developing the calculation and visualization method of the reduction of environmental impact when our customers use our environmental-friendly products and technologies.

* Scope 1: Direct emissions; Scope 2: Indirect emissions from energy usage; Scope 3: Emissions from other companies related to our business activities

2) Policies of personnel development including measures to expand diversity and improving workplace environments

We have established “people are our assets and the foundation of our business” as the Group’s basic philosophy from human resources development. We have identified human resources development as a top priority of our management activities, aiming to realize the Group Management Philosophy: “we strive to develop our employees and establish ourselves as a member of dynamic corporate group.”

The Group’s policy on human resources development is included in our 10-year business plan NETUREN VISION 2030. Human resources form one of the four main parts of NETUREN VISION 2030. We aim to be a “corporate group that contributes to the sustainable society and grows all over the world, by developing diversified human resources willing to make voluntary contributions, and boldly taking challenges.”

Regarding the diversity of our human resources, we will not only continue increasing our promotion of active participation of women and foreign nationals but also leveraging the abilities of wide range of human resources, considering the essence of diversity which is “gaining diverse perspectives to mitigate business risks and create new value.”

To address human rights issues, we established the Neturen Group Human Rights Policy in April 2022 to clarify our views as a global company. The policy has been translated into 10 languages to ensure its thorough implementation and penetration to all the Group’s locations around the world.

(Policies on improving workplace environments)

Under NETUREN VISION 2030, we have set measures to ensure diversity such as the promotion of women, foreign nationals, and mid-career recruits to management positions, with the aim of contributing to the creation of a sustainable society while continuing to enhance corporate value. To achieve this, we have implemented highly transparent and convincing personnel operations including promotion to management through examinations and interviews based on evaluation criteria (such as evaluation points, management ability, and behavioral characteristics), as well as personnel development through training and other measures. We have developed workplace environments with substantial, easy-to-use systems for childcare and nursing support as well as flextime and remote working systems, to secure diverse human resources and support their active participation.

(3) Risk management

The Group has established the Risk Management Basic Regulations and the Affiliate Company Management Regulations, to promote company-wide risk management by the Administrative Headquarters' Planning and Coordination Department. The Group's basic policies are shown below.

1) Ensure the Company's business continuity and stable development through the practice of risk management.
2) Prioritize the quality and safety of products and services and endeavor to eliminate or mitigate potential causes that may hamper the interests of stakeholders such as customers, shareholders, investors, local communities, the global environment, employees, or others.
3) Remain constantly taking responsibilities as a supplier of products and services used in society and act with the social mission of stably supplying high-quality products and services.
4) Ensure that all the related people including directors and employees comply with laws, regulation, and other rules in accordance with the spirit of compliance and that each person follows to the Code of Business Ethics.

The Group has also identified certain risks as an important one such as environmental risks associated with sustainability and employment/HR risks, which are checked regularly and evaluated in detail.

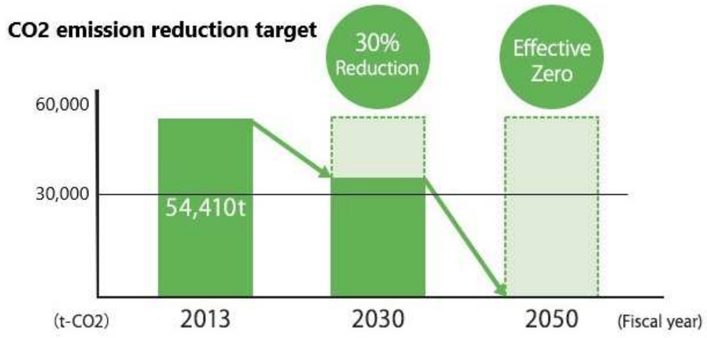
The risk management framework has been established and operates as described below.

The Risk Management Basic Regulations and the Affiliate Company Management Regulations have been established to manage Group-wide risks such as quality, compliance, disasters, the environment, and information management. The Administrative Headquarters' Planning and Coordination Department and the Safety, Health and Environment Office monitor these risks across the organization and implement Group-wide responses. The Internal Audit Office regularly audits the status of risk management in each division and reports as necessary to the Board of Directors or the Compliance Committee. The above regulations have been established regarding the operation of risk management and the Company regularly engages risk analysis and takes countermeasures.

We have also established the Crisis Management Regulations, which clarify the methods of information collection and reporting in the event of a crisis (a severe unpredicted incident) and the methods used to respond, such as the establishment of an emergency response headquarters. In addition, we have established separate response manuals for natural disasters such as earthquakes and floods, as well as for COVID-19. In the event of a crisis, these systems will operate to establish an emergency response headquarters, and a framework is in place at Group companies to swiftly report to the general manager of the responsible division and handle it.

(4) Metrics and targets

1) We target a 30% reduction in CO_2 emissions by 2030 compared to FY2013.



2) Metrics related to personnel development and workplace environments improvement; targets and results of them.

The Group has announced the following metrics as part of its action plan under the Act on the Promotion of Women's Active Engagement in Professional Life, which forms part of its policy of human resources development. The targets and results for these metrics are shown below.

Although the Company manages data related to its metrics for the policies on personnel development including measures to ensure human resources diversity and the policies on enhancing workplace environments described in "(2) Strategies" above, and engaged in specific initiatives related to these policies, it is difficult to present this data on a consolidated basis as it is not measured at all the companies in the Group. Therefore, the targets and results presented for the following metrics are only for the major subsidiaries.

Metric	Target	Result (fiscal year under review)
Number of female managers	2.0 times on March 31, 2026, compared to March 31, 2022	1.2 times*
Increase paid leave utilization	10 days of annual paid leave utilization in average	11.86 days
Upgrade the childcare and nursing support systems	Upgrade the systems related to childcare and nursing support and create an environment where they are easy to use	1) We use PR and other activities to disseminate information concerning childcare and nursing support as a measure to encourage their use by employees, regardless of gender. 2) We consider and implement systems to facilitate use by employees currently engaged in childcare or nursing support.

* The proportion of female managers in the fiscal year 2022 was 2.5%, which was 1.2 times higher than FY 2021.

3. Business and Other Risks

Of the matters related to the status of business, accounting, and other information stated in this annual securities report, management recognizes that the following matters may have a material impact on the financial condition, results of operations, and cash flows of consolidated companies.

Forward-looking statements contained in this section are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Risk that a decline in orders due to changes in the business environment may affect business performance

The outlook for COVID-19 remains unpredictable due to factors such as the threat of new variants and changes in the countermeasures implemented by each country. The pandemic is also having a prolonged negative impact on the global economy due to factors such as the slowdown in production resulting from the shortage of semiconductors and other parts. Under these circumstances, if the orders received from our major customers decline more than anticipated then the burden of fixed costs such as personnel expenses and depreciation will become relatively larger, and this may have a significant impact on the Group's business performance. Moreover, potential delays in recouping capital investments may give rise to impairment losses.

We will swiftly implement appropriate measures to address the risk that a decline in orders will impact on our business results, based on a consideration not only of trends in the industries to which the Group supplies products but also of the status of orders received from customers. Specifically, in addition to the knowhow we have developed so far through production innovation activities, we will leverage our experience during the COVID-19 pandemic to push ahead vigorously with cost reductions and build a business structure resilient to fluctuations in orders received. To achieve this, we will promote the transition of employees, including those in back-office divisions, to versatile multi-skilled workers, aiming for the optimal allocation of personnel. We will also invest with a focus on automated equipment and other equipment that contributes to labor savings.

(2) Risks related to product quality

The Group provides a wide range of products, mainly for the civil engineering and construction industry and the automobile industry. Because these products are used in crucial locations, we are fully aware of our responsibility as a supplier and pay ample attention to our quality inspections and performance validation.

However, the unlikely event of a quality-related incident that causes human or social damage may affect the Group’s reputation and business performance.

To address the risks related to product quality, we are actively engaged in obtaining certification such as ISO 9000 and are diligently establishing quality assurance systems. We have also established the Quality Assurance Headquarters and a cross-organizational structure for quality assurance.

(3) Risks related to electricity rates

Electricity rates have risen against the backdrop of soaring resource and energy prices, partly due to the impact of the conflict in Ukraine. Processes using heat treatment technology, the Group’s core business, use electrical power as their main source of energy, and electricity rates are therefore a key element in manufacturing costs.

Future electricity rate hikes may affect the Group’s business performance.

We will promote a full range of energy-saving measures to address risks related to electricity rates, including the introduction of solar power generation.

(4) Risks related to the procurement of materials

The prices of steel and other raw materials have risen sharply. Of the Group’s businesses, steel is the major material used by the Specialty Steel and Wire Products Division in particular, and is a key element in its manufacturing cost structure. A larger-than-anticipated movement in materials prices may affect the Group’s business performance. It may also become difficult to obtain the materials needed for production.

We will address the risks related to the procurement of materials by passing on cost hikes in our selling prices and promoting continuing cost reductions.

(5) Risks related to global business expansion

It is the Group’s policy to continue to promote global business expansion. Global businesses must recognize a wide range of risks, from the economic climate to legal and regulatory systems, political trends, and public security in the countries they operate in. These businesses sometimes also require large investments.

Unanticipated legal or regulatory changes, changes in the political or economic situation, or other changes in the countries we operate in may affect the Group’s business performance.

To address the risks related to global business expansion, we will endeavor to establish a framework that enables the business division in charge coordinating with the Business Planning and Development Headquarters and other functional divisions at all stages of the process, from the formulation of business plans all the way to business operations, to identify issues and steadily implement controls to resolve them.

4. Management Analysis of the Financial Position, Operating Results, and Cash Flow Status

An overview of the financial position, operating results, and cash flow status (hereinafter, the “operating results, etc.”) of the Group (including the Company, its consolidated subsidiaries and entities accounted for using the equity method) in the fiscal year under review is presented below, together with a summary, analysis and consideration of the operating results, etc. of the Group from the perspective of management.

Forward-looking statements contained in this section are based on our judgment as of the end of the fiscal year under review.

(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 CO_2 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).

Results for production, orders received, and sales are as follows.

1) Production results

Production results for each segment in the fiscal year under review are as follows:

Segment name	Amount (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	33,064	120.6
Induction Heating Division	15,453	99.9
Total	48,517	113.1

(Note) The amounts are based on manufacturing costs after eliminating inter-segment transactions.

2) Orders received

Orders received for each segment in the fiscal year under review are as follows:

Segment name	Orders received (million yen)	Year on year (%)	Balance of orders received (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	36,513	111.8	3,366	90.4
Induction Heating Division (Induction Heating Equipment Related Business)	7,075	88.0	5,011	130.5

(Notes) 1. The Induction Heat Treatment Service Related Business in the Induction Heating Division mainly comprise continuing transactions. These provide processing fee income for which it is difficult to ascertain the amount or balance of orders received. Therefore, only orders received for the Induction Heating Equipment Related Business have been shown for this segment.

2. The amounts of orders received are based on selling prices after eliminating inter-segment transactions.

3) Sales results

Sales results for each segment in the fiscal year under review are as follows:

Segment name	Amount (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	36,870	118.2
Induction Heating Division	20,514	94.7
Other	139	105.0
Total	57,524	108.5

(Note) The amounts are shown after eliminating inter-segment sales.

(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) Significant accounting estimates and assumptions used for such estimates

The Group’s consolidated financial statements are prepared based on the accounting standards generally accepted in Japan. For information on the significant accounting policies applied in the preparation of the consolidated financial statements, please refer to “V. Financial Information 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements [Notes] (Significant matters that form the basis for the preparation of the consolidated financial statements).” As the consolidated financial statements are prepared based on the assets and liabilities recorded on the final day of the reporting period and the revenue and expenses recorded during the reporting period, the Group uses accounting estimates and assumptions as necessary. These accounting estimates and assumptions are by nature uncertain and may differ from the actual results.

It is difficult to predict the economic impact of COVID-19 in the future, and concerns remain regarding production delays due to shortages in semiconductors and other parts and cost hikes due to the soaring price of steel and other materials, as well as electricity and logistics expenses. Furthermore, the turmoil in the world economy over the situation in Ukraine has further exacerbated the rapid rise in resource and energy prices, deteriorating the business environment of companies.

It is extremely difficult to present a rational estimate of the impact of these factors on the Group’s business performance. Our accounting estimates are based on the assumption that the unpredictable situation will continue for some time and affect the Group’s business performance in some way.

We believe that these estimates are reasonable, but there are many uncertain factors involved. A larger-than-expected change or other event may have a significant impact on the Group’s consolidated financial statements. The significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are shown below.

(Impairment of non-current assets)

As a rule, for non-current assets or asset groups where there are indications of impairment, the Group estimates the undiscounted cash flows arising from these assets or asset groups. If the total of the estimated undiscounted cash flows falls short of the carrying amount, the Group reduces the carrying amount to the recoverable amount and records impairment losses equivalent to this reduction. The Group engages in careful consideration when ascertaining indications of impairment and recognizing and calculating impairment losses. However, it may be necessary to recognize additional impairments or new impairments due to changes in the assumptions that form the basis of business plans, the economic environment, etc.

(Recoverability of deferred tax assets)

The Group records a valuation allowance for the purpose of reducing the amount of deferred tax assets to the amount considered highly recoverable. The necessity and necessary amount of this valuation allowance are carefully considered based on estimates of the future taxable income for each taxing entity and the expected recoverability of deferred tax assets. However, it may be necessary to provide additional allowance or reverse the allowance due to changes in the various conditions and assumptions on which the estimates of taxable income are based.

III. Equipment and Facilities

1. Overview of Capital Investments

The Group (the Company and its consolidated subsidiaries) has focused on capital investments associated with new products and businesses and handling orders received. It has also consciously engaged in investments in rationalization to enable it to respond to changes in the business environment. The Group has established standards for recouping investments and stringently examines each investment project in terms of its cost-effectiveness.

Capital investments are generally paid for through the allocation of internal reserves, but some funds are procured from external sources where necessary in the case of large-scale investments such as the establishment of a new subsidiary or the construction of a new plant.

Total capital investment in the fiscal year under review amounted to ¥1,296 million, with some projects carried forward to the next fiscal year due to factors such as delays in the procurement of parts needed for equipment due to the impact of COVID-19. The main capital investments in each segment are as follows.

(Specialty Steel and Wire Products Division)

The Specialty Steel and Wire Products Division mainly invested in increasing production capacity and rationalization. Specifically, this included equipment to increase production capacity at NETUREN AMERICA CORPORATION.

Capital investments in this segment totaled ¥616 million.

(Induction Heating Division)

The Induction Heating Division mainly invested in increasing production capacity and rationalization. Specifically, this included equipment to increase production capacity at Neturen Heat Treat Co., Ltd.

Capital investments in this segment totaled ¥633 million.

(Other)

Other capital investments were mainly associated with research and development.

Capital investments in this segment totaled ¥37 million.

Corporate capital investments of ¥9 million were made in addition to the above.

The Group is progressively installing solar power generation systems at several plants in Japan with the aim of reducing CO_2 emissions.

2. Plans for the New Establishment, Retirement, Etc. of Equipment

(1) New establishment of material equipment, etc.

At the Specialty Steel and Wire Products Division, we plan to invest in new equipment mainly associated with rationalization, expanding sales channels, and increasing production capacity.

At the Induction Heating Division, we plan to invest in new equipment mainly associated with rationalization and renewing existing equipment.

In addition, the Group as a whole is systematically undertaking capital investments related to energy saving from the perspectives of global environmental conservation and electricity cost reduction.

The amount planned for investments in the new establishment of material equipment, etc. in the 12 months following the fiscal year under review is ¥5,000 million. We intend to select the optimal methods to fund each of these investments, and plan to use internal reserves as the basic funding method. We will stringently examine each capital investment project in terms of its cost-effectiveness.

The planned capital investment in each segment is as follows.

Segment name	Planned capital investment (million yen)	Main equipment/purpose
Specialty Steel and Wire Products Division	2,600	Investment in rationalization, expanding sales channels, increasing production capacity, etc.
Induction Heating Division	1,700	Investment in rationalization, renewal of existing equipment, etc.
Total for reportable segments	4,300	
Other	250	Investment in research and development equipment, etc.
Corporate	450	IT investment, etc.
Total	5,000	

(2) Retirement of material equipment, etc.

We have no plan for the retirement of material equipment, etc. apart from retirement due to ordinary renewal of equipment, etc.

IV. The Company

1. Status of Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of authorized shares
Common shares	150,000,000
Total	150,000,000

2) Number of issued and outstanding shares

Class	Number of issued shares at the end of the fiscal year (March 31, 2023)	Number of issued shares as of the date of submission (June 29, 2023)	Name of financial instruments exchange or authorized financial instruments firms association where the Company's shares are listed	Details
Common shares	38,678,700	38,678,700	Tokyo Stock Exchange Prime Market	Number of shares in each trading unit 100
Total	38,678,700	38,678,700	–	–

(2) Trend in the total number of issued and outstanding shares, share capital, etc.

Date	Increase (decrease) in the total number of issued and outstanding shares	Total number of issued and outstanding shares	Increase (decrease) in share capital (Million yen)	Share capital (Million yen)	Increase (decrease) in legal capital surplus (Million yen)	Legal capital surplus (Million yen)
March 18, 2022	(2,884,000)	40,906,500	–	6,418	–	1,535
February 21, 2023	(2,227,800)	38,678,700	–	6,418	–	1,535

(Note) The decrease is due to the cancellation of treasury shares.

2. Purchase of Treasury Shares

[Class and other details of shares] Purchase of common shares based on Article 155 (iii) and Article 155 (vii) of the Companies Act

(1) Status of purchases based on resolutions of the Shareholders' Meeting

Not applicable.

(2) Status of purchases based on resolutions of the Board of Directors

Category	Number of shares	Total amount (yen)
Resolution of the Board of Directors (May 20, 2022) (Purchase period: May 23, 2022 to March 31, 2023)	3,125,000	1,500,000,000
Treasury shares purchased before the fiscal year under review	–	–
Treasury shares purchased during the fiscal year under review	2,227,800	1,499,976,200
Total number and value of shares remaining from the resolution	897,200	23,800
Proportion remaining unexecuted at the end of the fiscal year under review (%)	28.71	0.00
Treasury shares purchased during the current period	–	–
Proportion remaining unexecuted as of the submission date (%)	28.71	0.00

Category	Number of shares	Total amount (yen)
Resolution of the Board of Directors (May 11, 2023) (Purchase period: May 12, 2023 to March 31, 2024)	2,717,000	1,500,000,000
Treasury shares purchased before the fiscal year under review	–	–
Treasury shares purchased during the fiscal year under review	–	–
Total number and value of shares remaining from the resolution	–	–
Proportion remaining unexecuted at the end of the fiscal year under review (%)	–	–
Treasury shares purchased during the current period	302,500	270,793,000
Proportion remaining unexecuted as of the submission date (%)	88.87	81.95

(Note) Treasury shares purchased during the current period do not include treasury shares purchased during the period from June 1, 2023, to the date of submission of this annual securities report.

(3) Details of purchases based on neither resolutions of the Shareholders' Meeting nor resolutions of the Board of Directors

Category	Number of shares	Total amount (yen)
Treasury shares purchased during the fiscal year under review	493	327,125
Treasury shares purchased during the current period	76	55,488

(Note) Treasury shares purchased during the current period do not include shares acquired through the purchase of fractional shares of less than one trading unit during the period from June 1, 2023, to the date of submission of this annual securities report.

(4) Disposal and holdings of purchased treasury shares

Category	Fiscal year under review		Current period	
	Number of shares	Total disposal value (yen)	Number of shares	Total disposal value (yen)
Purchased treasury shares for which subscribers were solicitated	–	–	–	–
Purchased treasury shares that were disposed of by cancellation	2,227,800	1,580,579,544	–	–
Purchased treasury shares that were transferred through merger, exchange of shares, delivery of shares, or company split	–	–	–	–
Other (Disposed of as restricted stock compensation)	30,600	22,368,600	–	–
Other (Sold in response to requests for the sale of fractional shares less than one trading unit)	–	–	–	–
Treasury shares held	970,011	–	1,272,587	–

(Notes) 1. Treasury shares disposed of during the current period do not include shares disposed of through the sale of fractional shares less than one trading unit during the period from June 1, 2023, to the date of submission of this annual securities report.

2. Treasury shares held in the current period do not include shares acquired or disposed of through the purchase or sale of fractional shares less than one trading unit during the period from June 1, 2023, to the date of submission of this annual securities report.

3. Dividend Policy

In addition to the Company policy of maintaining stable dividends, we have other basic policies to distribute profits in accordance with its business performance and to decide dividends considering the business environment and financial conditions surrounding the Group.

In a general rule of the company, 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%.

Regarding 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 the recording of impairment losses, etc., operating profit almost achieved the figures in the forecast announced on February 7, 2023. Under these circumstances, placing importance on shareholder returns and based on a comprehensive consideration of business performance, financial conditions, and other factors, we decided on a total annual dividend of ¥30 per share (including the interim dividend of ¥15). As a result, the consolidated dividend payout ratio for the fiscal year 2022 was 303.2% and the consolidated dividend on equity was 2.0%.

We intend to use the Group's internal reserves primarily in areas that will contribute to future profits but also necessary investment to respond to changes in the business environment, new businesses and streamlines.

It is our basic policy to pay two dividends of surplus per year: the interim dividend and the year-end dividend. The Annual Shareholders' Meeting is responsible for deciding the year-end dividend and the Board of Directors is responsible for the interim dividend.

The Company's Articles of Incorporation state that "interim dividends may be distributed to shareholders and registered pledgees of shares recorded in the shareholders' register as of September 30 each year, by resolution of the Board of Directors."

Dividends of surplus for the fiscal year under review are as follows.

Date of resolution	Total amount of dividend (million yen)	Dividend per share (yen)
November 8, 2022 Resolution of the Board of Directors	576	15.0
June 28, 2023 Resolution of the Annual Shareholders' Meeting	565	15.0

The Company has changed its dividend policy to target 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 the fiscal year ending March 31, 2024, there are uncertainties in 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.

V. Financial Information

1. Methods Used to Prepare the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

The Company is designated as a "special company submitting financial statements" and therefore prepares its financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements, etc.

1. 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

[Notes]

(Notes on going concern assumption)

Not applicable.

(Significant matters that form the basis for the preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 17

Names of main consolidated subsidiaries

Neturen Heat Treat Co., Ltd., Neturen Komatsu Co., Ltd., Neturen Hirakata Co., Ltd., Neturen USA, INC., NETUREN AMERICA CORPORATION, Shanghai Neturen Co., Ltd., Yancheng Neturen Co., Ltd., Guangzhou Fengdong Neturen Co., Ltd., Neturen (China) Slewing Bearing Co., Ltd., Neturen Czech s.r.o., PT. NETUREN INDONESIA, NETUREN MEXICO, S.A. de C.V., Korea Neturen Co., Ltd.

(2) Main unconsolidated subsidiaries

Company name:

Neturen Meinan Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Neturen Meinan Co., Ltd. is a small company and does not have a material impact on the consolidated financial statements in terms of total assets, net sales, profit or loss (the amount corresponding to the Company's equity interest), retained earnings (the amount corresponding to the Company's equity interest), or other factors.

2. Application of the equity method

(1) The Company has one unconsolidated subsidiary for which it applies the equity method

Company name:

Neturen Meinan Co., Ltd.

(2) The Company has four affiliates for which it applies the equity method

Company names:

Korea Heat Treatment Co., Ltd., US Chita Co., Ltd., NTK Precision Axle Corporation, Tianjin Fengdong Heat Treatment Co., Ltd.

(3) Matters considered of special note regarding procedures for the application of the equity method

For equity method entities that have a different fiscal year ending date, the Company uses the financial statements for the fiscal year of the relevant entity.

3. Fiscal year of consolidated subsidiaries

The fiscal year of all of the Company's 17 consolidated subsidiaries ends on December 31. Their financial statements as of December 31 are used in the preparation of the Company's consolidated financial statements and the necessary consolidation adjustments are made for material transactions that have occurred after that date and before the end of the consolidated fiscal year.

4. Accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Debt securities expected to be held to maturity

Amortized cost method (straight-line method)

Available-for-sale securities

Available-for-sale securities apart from shares, etc. without market prices

Stated using the mark-to-market method (valuation differences are recorded directly in shareholders' equity, and the cost of securities sold is measured using the moving-average method)

Shares, etc. without market prices

At cost by the moving average method

2) Inventories

Mainly stated at cost using the first-in-first-out (FIFO) method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability)

3) Derivatives

Mark-to-market method

(2) Depreciation or amortization method for important depreciable or amortizable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its subsidiaries in Japan mainly apply the declining balance method. However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired since April 1, 1998, and facilities and structures attached to buildings acquired since April 1, 2016. The Company's foreign subsidiaries mainly apply the straight-line method.

The useful lives of the main components of property, plant and equipment are as follows:

Buildings and structures	5–50 years
Machinery, equipment and vehicles	4–12 years

2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

3) Leased assets

Leased assets associated with finance lease transactions where there is no transfer of ownership

Amortized using the straight-line method with the useful life equal to the lease period and zero residual value.

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to prepare for potential bad debt losses on trade receivables and loans receivable, etc. For general claims, the allowance is based on the estimated historical default rate. For claims with a possibility of default and other designated accounts, the recoverability of individual claims is estimated, and an allowance is provided equal to the unrecoverable amount.

2) Provision for bonuses

Provision for bonuses is recorded based on the estimated amount of bonuses payable under the relevant agreement to employees registered at the end of the fiscal year, to provide for the payment of bonuses to employees.

3) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, to provide for the payment of bonuses to directors and executive officers.

4) Provision for share awards for directors (and other officers)

Provision for share awards for directors (and other officers) is recorded based on the portion of the estimated value to be awarded that corresponds to the fiscal year under review, to provide for the delivery of shares to directors and executive officers based on internal regulations.

(4) Accounting treatment of retirement benefits

1) Method used to attribute the estimated benefit obligation to accounting periods

When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis.

2) Method used to amortize actuarial gains and losses

Actuarial gains and losses are allocated and expensed proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (10 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

3) Accounting treatment of unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are adjusted for tax effect and recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Standards for the recognition of significant revenue and expenses

Revenue from the sale of products mainly consists of the sale of manufactured products. The Group assumes performance obligations to deliver these products under sales contracts with customers. The Group considers that these performance obligations are fulfilled at the time of delivery, when the customer gains control over the products, and revenue is recognized at this time.

For domestic sales transactions where there is a normal period of time between the shipment of the product and the transfer of control to the customer, the Group recognizes revenue at the time of shipment.

In cases where the Group has a contractual obligation to install the products, the Group recognizes revenue at the time when the installation is completed.

For paid supply transactions under a repurchase agreement, the Group recognizes a net amount equivalent to processing fees as revenue at the time when the products are sold back to the supplier.

Consideration for transactions is generally received within one year of the time when the Group satisfies its performance obligations, and transactions do not include any material element of finance.

(6) Scope of cash in the consolidated statement of cash flows

In the consolidated statement of cash flows, cash (cash and cash equivalents) comprises cash on hand, demand deposits, and short-term investments that are redeemable within three months from the acquisition date, are easily convertible into cash, and bear only an insignificant risk of price fluctuation.

(Significant accounting estimates)

Impairment of non-current assets

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

(Million yen)

	Previous fiscal year	Fiscal year under review
Amount of property, plant and equipment in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment losses was carefully considered (after recognition of impairment losses)	3,474	5,664
Amount of intangible assets in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment losses was carefully considered (after recognition of impairment losses)	5	1
Impairment losses	241	1,852

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

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

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

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

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

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

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

As a result of the above, while impairment losses on property, plant and equipment were recorded for the Company’s Kani NH Plant and Kariya Plant, Neturen Czech s.r.o. (a consolidated subsidiary), and Yancheng Neturen Co., Ltd. (a consolidated subsidiary), for the other asset groups, no impairment losses were recorded mainly because the total amount of their undiscounted future cash flows exceeded their carrying amounts.

For the impairment losses for the Company’s Kani NH Plant and Kariya Plant, Neturen Czech s.r.o. (a consolidated subsidiary), and Yancheng Neturen Co., Ltd. (a consolidated subsidiary), please refer to notes to consolidated statements of income and comprehensive income.

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 the 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.

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.

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

(Consolidated balance sheet)

*1 The amounts of receivables, contract assets, and contract liabilities arising from contracts with customers and included in notes and accounts receivable - trade, and contract assets and other current liabilities are presented in (Revenue recognition) 3. (1) Balance of contract assets and contract liabilities in the notes to the consolidated financial statements.

*2 Items associated with the Company’s unconsolidated subsidiaries and affiliates are as follows.

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Investment securities (shares)	¥5,013 million	¥5,491 million

*3 Tax purpose reduction entry

Previous fiscal year (March 31, 2022)

(1) A plant location incentive subsidy of ¥100 million has been deducted from the acquisition cost of land for the Company’s Iwaki Plant.

(2) A corporate location promotion subsidy of ¥12 million has been deducted from the acquisition cost of machinery and equipment for the Company’s Iwaki Plant.

Fiscal year under review (March 31, 2023)

(1) A plant location incentive subsidy of ¥100 million has been deducted from the acquisition cost of land for the Company’s Iwaki Plant.

(2) A corporate location promotion subsidy of ¥12 million has been deducted from the acquisition cost of machinery and equipment for the Company’s Iwaki Plant.

(Consolidated statements of income and comprehensive income)

*1 Revenue from contracts with customers

The Company does not present revenue from contracts with customers separately from other revenue. The amount of revenue from contracts with customers is shown under (Revenue recognition) 1. Breakdown of revenue from contracts with customers in the notes to the consolidated financial statements.

*2 The balance of inventories at the end of the fiscal year represents the amount after book value reduction based on decreased profitability. The following amounts of loss on valuation of inventories have been included in the cost of sales.

Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
¥40 million	¥90 million

*3 The main items of expenditure and amounts for selling, general and administrative expenses are shown below.

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Transportation costs	¥1,495 million	¥1,592 million
Salaries	1,650	1,700
Provision for bonuses	233	177
Welfare expenses	699	680
Retirement benefit expenses	63	136
Research and development expenses	576	600
Provision of allowance for doubtful accounts	8	164

*4 The details of gain on sale of non-current assets are as follows.

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Buildings and structures	¥6 million	¥11 million
Machinery, equipment and vehicles	0	0
Leasehold interests in land	15	–
Other property, plant and equipment	–	8
Total	22	21

*5 The details of loss on sale of non-current assets are as follows.

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Machinery, equipment and vehicles	¥0 million	– million
Other property, plant and equipment	0	–
Total	0	–

*6 The details of loss on retirement of non-current assets are as follows.

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Buildings and structures	¥0 million	¥0 million
Machinery, equipment and vehicles	12	7
Other property, plant and equipment	0	0
Total	13	8

*7 The total amounts of research and development expenses included in general and administrative expenses and manufacturing expenses for the fiscal years are as follows.

Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
¥576 million	¥600 million

*8 Impairment losses

Previous fiscal year (from April 1, 2021 to March 31, 2022)

The Group recorded impairment losses on the following asset groups during the fiscal year.

Location	Purpose	Category of assets	Impairment losses
The Company’s Okayama Plant (Soja-shi, Okayama)	Heat treatment equipment	Machinery, equipment and vehicles, land	¥162 million
Kyushu Koushuha Neturen Co., Ltd. (Wakamatsu-ku, Kitakyushu-shi, Fukuoka)	Same as above	Same as above	¥79 million

The Group’s assets are aggregated on purpose by factory (assets of multiple factories are also aggregated when their purpose is complementing) based on managerial accounting classification. In addition, consolidated subsidiaries’ assets are aggregated in each company.

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

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

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

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

The Group recorded impairment losses on the following asset groups during the fiscal year.

Location	Purpose	Category of assets	Impairment losses
The Company's Kariya Plant (Kariya-shi, Aichi)	Heat treatment equipment	Machinery, equipment and vehicles, buildings and structures	¥648 million
The Company's Kani NH Plant (Kani-shi, Gifu)	Same as above	Machinery, equipment and vehicles, land, construction in progress	¥705 million
Neturen Czech s.r.o. (Žatec, Ústí, Czech Republic)	Same as above	Machinery, equipment and vehicles, buildings and structures	¥413 million
Yancheng Neturen Co., Ltd. (Yancheng, Jiangsu, China)	Same as above	Machinery, equipment and vehicles, other	¥85 million

The Group's assets are aggregated on purpose by factory (assets of multiple factories are also aggregated when their purpose is complementing) based on managerial accounting classification. In addition, consolidated subsidiaries' assets are aggregated in each company.

The business environment for the automobile industry, which is the main customer of the Company's Kariya Plant, has deteriorated due to factors such as a longer-than-anticipated slowdown in production due to the shortage of parts such as semiconductors. As a result of a conservative review of future business plans, profitability of fixed assets reduced, so we decided to write it down to recoverable amount, and impairment losses were recorded.

The Company's Kani NH Plant and Neturen Czech s.r.o. (a consolidated subsidiary) produce a lot of automobiles-related products for the European market. As a result of a conservative review of future business plans, with regard to uncertain elements such as the Ukraine conflict, profitability of fixed assets reduced, too, so we decided to write it down to recoverable amount, and impairment losses were recorded. Other impairment losses were also recorded for some idle production equipment at the Company's Kani NH Plant.

Impairment losses were also recorded for Yancheng Neturen Co., Ltd. (a consolidated subsidiary) as manufacturing ceased for some products, resulting in production equipment falling idle.

Fixed assets in all the asset groups above were written down to recoverable amount, and the reduced amount was recorded in extraordinary losses as impairment losses (¥1,852 million).

The breakdown of impairment losses by asset was ¥163 million in buildings and structures, ¥1,668 million in machinery, equipment and vehicles, ¥13 million in land, ¥5 million in construction in progress.

Please note that of these asset groups, the recoverable amounts for the idle equipment at the Company's Kani NH Plant and Yancheng Neturen Co., Ltd. were measured as the net selling value and valued at memorandum value. The recoverable amounts for the Company's Kariya Plant, the Company's Kani NH Plant, and Neturen Czech s.r.o. were measured at value in use, and calculated by discounting the future cash flows at 7.4% for the Company's Kariya Plant and the Company's Kani NH Plant and at 6.3% for Neturen Czech s.r.o.

*9 Reclassification adjustments and tax effect relating to other comprehensive income

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the fiscal year	¥(473) million	¥630 million
Reclassification adjustments	(214)	(7)
Amount before tax effect	(687)	622
Tax effect	162	(146)
Valuation difference on available-for-sale securities	(524)	475
Foreign currency translation adjustment:		
Gains (losses) arising during the fiscal year	1,921	1,502
Reclassification adjustments	–	–
Amount before tax effect	1,921	1,502
Tax effect	–	–
Foreign currency translation adjustment	1,921	1,502
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) arising during the fiscal year	58	42
Reclassification adjustments	(13)	(18)
Amount before tax effect	45	23
Tax effect	(14)	(7)
Remeasurements of defined benefit plans, net of tax	31	16
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) arising during the fiscal year	867	406
Reclassification adjustments	–	–
Share of other comprehensive income of entities accounted for using equity method	867	406
Total other comprehensive income	2,295	2,401

(Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2021 to March 31, 2022)

1. Matters concerning the class and total number of issued and outstanding shares and the class and number of treasury shares

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Issued and outstanding shares				
Common shares	43,790	–	2,884	40,906
Total	43,790	–	2,884	40,906
Treasury shares				
Common shares (Note)	3,928	0	2,928	1,000
Total	3,928	0	2,928	1,000

(Notes)
1. The decrease of 2,884 thousand shares in the number of issued and outstanding shares was due to the cancellation of treasury shares based on a resolution of the Board of Directors.
2. The increase of 0 thousand shares in the number of treasury shares was due to the purchase of fractional shares of less than one trading unit. The decrease of 2,928 thousand shares in the number of treasury shares was due to the cancellation of 2,884 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 44 thousand treasury shares as restricted stock compensation.

2. Matters concerning dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
June 25, 2021 Annual Shareholders' Meeting	Common shares	358	9.0	March 31, 2021	June 28, 2021
November 5, 2021 Board of Directors meeting	Common shares	518	13.0	September 30, 2021	December 6, 2021

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
June 28, 2022 Annual Shareholders' Meeting	Common shares	678	Retained earnings	17.0	March 31, 2022	June 29, 2022

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

1. Matters concerning the class and total number of issued and outstanding shares and the class and number of treasury shares

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Issued and outstanding shares				
Common shares	40,906	–	2,227	38,678
Total	40,906	–	2,227	38,678
Treasury shares				
Common shares (Note)	1,000	2,228	2,258	970
Total	1,000	2,228	2,258	970

(Notes)
1. The decrease of 2,227 thousand shares in the number of issued and outstanding shares was due to the cancellation of treasury shares based on a resolution of the Board of Directors.
2. The increase of 2,228 thousand shares in the number of treasury shares was due to the purchase of 2,227 thousand treasury shares based on a resolution of the Board of Directors and the purchase of 0 thousand fractional shares less than one trading unit. The decrease of 2,258 thousand shares in the number of treasury shares was due to the cancellation of 2,227 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 30 thousand treasury shares as restricted stock compensation.

2. Matters concerning dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2022 Annual Shareholders' Meeting	Common shares	678	17.0	March 31, 2022	June 29, 2022
November 8, 2022 Board of Directors meeting	Common shares	576	15.0	September 30, 2022	December 6, 2022

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
June 28, 2023 Annual Shareholders' Meeting	Common shares	565	Retained earnings	15.0	March 31, 2023	June 29, 2023

(Consolidated statement of cash flows)

*1 The relationship between the balance of cash and cash equivalents at end of period and the amount presented on the consolidated balance sheet is as follows.

	Previous fiscal year (April 1, 2021 to March 31, 2022)	Fiscal year under review (April 1, 2022 to March 31, 2023)
Cash and deposits	¥19,213 million	¥18,320 million
Securities	290	158
Other current assets	8	129
Time deposits with deposit terms of over three months	(1,413)	(1,697)
Cash and cash equivalents	18,099	16,911

(Retirement benefits)

Overview of retirement benefit plans

The Company and its consolidated subsidiaries use funded and unfunded defined benefit plans (defined benefit corporate pension plans and lump-sum retirement benefit plans) and a defined contribution plan to fund retirement benefits for employees. The Company uses a retirement benefit trust for its lump-sum retirement benefit plan.

The defined benefit corporate pension plans (all of which are funded plans) pay lump sums or pensions based on salary and length of service.

The lump-sum retirement benefit plans (generally unfunded plans, although some have become funded as a result of the establishment of retirement benefit trusts) pay lump sums based on salary and length of service as retirement benefits.

The retirement benefit liability and retirement benefit expenses for the defined benefit corporate pension plans and lump-sum retirement benefit plans of some consolidated subsidiaries have been calculated using the simplified method.

(Tax effect accounting)

1. Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Deferred tax assets		
Inventories	¥57 million	¥73 million
Property, plant and equipment	0	–
Elimination of internal profits from transactions between consolidated companies	88	78
Intangible assets	15	15
Investment securities	5	5
Allowance for doubtful accounts	33	126
Enterprise tax payable	69	8
Provision for bonuses	247	195
Share-based compensation expenses	14	20
Retirement benefit liability	295	269
Retirement benefits payable to directors (and other officers)	2	3
Environmental expenses	4	3
Impairment losses	1,039	1,182
Valuation difference on available-for-sale securities	68	27
Other	441	487
Deferred tax assets - subtotal	2,385	2,496
Valuation allowance	(1,091)	(1,214)
Total deferred tax assets	1,294	1,281
Deferred tax liabilities		
Reserved profits of consolidated subsidiaries and others	(521)	(537)
Replacement of specific assets	(331)	(327)
Reserve for special depreciation	(22)	(13)
Depreciation at overseas subsidiaries	(116)	(120)
Valuation difference on available-for-sale securities	(374)	(523)
Gain on contribution of securities to retirement benefit trust	(70)	(70)
Other	(56)	(57)
Total deferred tax liabilities	(1,494)	(1,650)
Net deferred tax assets (liabilities)	(199)	(368)

2. Main components of any difference between the statutory tax rate and the effective tax rate after the application of tax-effect accounting

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Effective statutory tax rate	30.6 %	30.6 %
(Adjustments)		
Entertainment expenses and other expenses not deductible for tax purposes	0.1	0.7
Dividend income and other income not included in taxable income	(6.0)	(27.0)
Share of profit or loss of entities accounted for using equity method	(1.0)	(3.0)
Dividends from consolidated subsidiaries	7.2	33.3
Change in valuation allowance	1.1	7.8
Per-capita allotment of resident tax	0.9	3.2
Reserved profits of overseas subsidiaries and others	0.6	0.4
Amortization of goodwill	0.0	–
Exemption of bonuses for directors (and other officers)	0.0	1.3
Tax rate differences with overseas subsidiaries	(2.7)	(3.6)
Tax credits	(0.3)	(0.6)
Other	(0.5)	0.9
Tax rate after the application of tax effect accounting	30.0	44.0

(Business combinations)

Transactions under common control

Additional purchase of the shares of subsidiaries

(1) Overview of transaction

1) Name and business description of the combined company

Name of combined company: Neturen Czech s.r.o.

Business description: Manufacture and sale of automobile parts, etc.

2) Date of business combination

March 27, 2023

3) Legal form of business combination

Purchase of shares from non-controlling interests

4) Name of company after business combination

Unchanged.

5) Other matters concerning the overview of the transaction

The additionally purchased shares represent 10% of the company's voting rights, and the purchase was executed for the purpose of acquiring Neturen Czech s.r.o. as a wholly-owned subsidiary.

(2) Summary of accounting treatment applied

The Company has treated the acquisition as a transaction under common control for which the counterparties are non-controlling interests, in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(3) Matters presented in the case of an additional purchase of the shares of a subsidiary

Breakdown of the acquisition cost and type of consideration paid for the acquired company

Consideration paid for the additional acquisition:	Cash	¥65 million
Acquisition cost:		¥65 million

(4) Matters concerning changes in the Company's equity associated with the transaction with non-controlling interests

1) Main reasons for the change in capital surplus

Additional purchase of the shares of subsidiaries

2) Amount of the increase in capital surplus due to the transaction with non-controlling interests

¥151 million

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
PC Bars and Related Products	9,589	–	9,589	–	9,589
Automobiles-Related Products	15,532	–	15,532	–	15,532
Construction Equipment-Related Products	4,435	–	4,435	–	4,435
Induction Heat Treatment Service Related Business	–	15,406	15,406	–	15,406
Induction Heating Equipment Related Business	–	6,229	6,229	–	6,229
Other	1,648	30	1,679	0	1,679
Revenue from contracts with customers	31,205	21,666	52,872	0	52,872
Revenue from other sources (Note 2)	–	–	–	132	132
Net sales to external customers	31,205	21,666	52,872	132	53,004

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

2. "Revenue from other sources" represents items such as real estate lease revenue based on the Accounting Standard for Lease Transactions.

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

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
PC Bars and Related Products	11,348	–	11,348	–	11,348
Automobiles-Related Products	18,627	–	18,627	–	18,627
Construction Equipment-Related Products	4,912	–	4,912	–	4,912
Induction Heat Treatment Service Related Business	–	14,713	14,713	–	14,713
Induction Heating Equipment Related Business	–	5,772	5,772	–	5,772
Other	1,982	28	2,011	1	2,012
Revenue from contracts with customers	36,870	20,514	57,385	1	57,386
Revenue from other sources (Note 2)	–	–	–	138	138
Net sales to external customers	36,870	20,514	57,385	139	57,524

(Notes)
1. The "Other" category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.
2. "Revenue from other sources" represents items such as real estate lease revenue based on the Accounting Standard for Lease Transactions.

2. Information fundamental to an understanding of revenue from contracts with customers

Information fundamental to an understanding of revenue from contracts with customers is as presented in "Significant matters that form the basis for the preparation of the consolidated financial statements 4. Accounting policies (5) Standards for the recognition of significant revenue and expenses."

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

(1) Balance of contract assets and contract liabilities

(Million yen)

	Previous fiscal year	Fiscal year under review
Receivables from contracts with customers (opening balance)		
Notes receivable - trade	1,363	1,395
Accounts receivable - trade	9,302	11,222
	10,666	12,618
Receivables from contracts with customers (closing balance)		
Notes receivable - trade	1,395	1,228
Accounts receivable - trade	11,222	10,325
	12,618	11,554
Contract assets (opening balance)	50	77
Contract assets (closing balance)	77	92
Contract liabilities (opening balance)	321	452
Contract liabilities (closing balance)	452	520

(Notes)
1. Of the revenue recognized in the previous fiscal year, ¥302 million was included in the opening balance of contract liabilities in the previous fiscal year.
   Of the revenue recognized in the fiscal year under review, ¥444 million was included in the opening balance of contract liabilities in the fiscal year under review.
2. Contract assets are mainly related to the rights of consolidated subsidiaries to receive consideration in the Induction Heating Equipment Related Business, regarding work for which installation had been completed but could not be invoiced by the end of the fiscal year. Contract assets are transferred to receivables from contracts with customers at the time when the right to receive consideration becomes unconditional.
   Contract liabilities are mainly related to advances received from customers in the Induction Heating Equipment Related Business. Contract liabilities are reversed as revenue is recognized.

(2) Transaction price allocated to remaining performance obligations

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

(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.

Related information

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

1 Information about products and services

(Million yen)

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

2 Information about geographical areas

(Million yen)

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

(Note) Net sales is based on a customer’s location and classified by countries

(Million yen)

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

3 Information for each important customer

Not applicable.

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

1 Information about products and services

(Million yen)

	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment-related services	Induction heat treatment-related services	Others	Total
Sales Customers	11,348	18,627	4,912	14,713	5,772	2,150	57,524

2 Information about geographical areas

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	38,612	10,728	1,013	5,056	2,026	87	57,524

(Note) Net sales is based on a customer’s location and classified by countries

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment	18,412	3,419	399	1,389	1,498	368	25,486

3 Information for each important customer

Not applicable.

[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.

(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)
（Purchase of treasury shares）

The Company resolved to regarding matters related to the purchase of its treasury shares in accordance with Article 156 of the Companies Act (the “Act”), as applied pursuant to Paragraph 3, Article 165 of the Act at the meeting of the Board of Directors held on May 11, 2023.

1 Reason for purchase of treasury shares

The Company resolved to implement the capital allocation measures in the long-term management vision "NETUREN VISION 2030" formulated in May 2021 and in the 15th medium-term management plan, in order to realise the balance sheet target and ROE of 8% and achieve a PBR of 1.0 or more as soon as possible. The Board resolved to implement a share buyback.

2 Details of purchase

(1)	Class of shares to be purchased	Common shares of the Company’s stock
(2)	Potential total number of shares to be purchased	2,717,000 shares (upper limit) (7.21% of issued and outstanding shares (excluding treasury shares))
(3)	Total cost for purchase	1,500,000,000 yen (upper limit)
(4)	Period	May 12, 2023 to March 31, 2024
(5)	Method of purchase	Market purchases on the Tokyo Stock Exchange under a discretionary investment method

CORPORATE DATA

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

Date of Establishment:
May 15, 1946

Paid-in Capital:
¥6,418 million

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

Number of Employees:
1,604(Consolidated)

(As of March 31, 2023)

Directors and Corporate Auditors:

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

Director, Member of the Board Senior Managing Executive Officer
Nobumoto Ishiki

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

Director, Member of the Board Executive Officer
Tomokatsu Yasukawa

Outside Director
Mineo Hanai Yoshiko Moriyama

Standing Audit & Supervisory Board Member
Yoshihiro Ikegami

Outside Audit & Supervisory Board Member
Takeshi Nakano Minoru Enjitsu

Executive Officer
Yoshitaka Misaka Nobuhiro Murai
Naoki Hisada Norio Tanaka

(As of June 28, 2023)