

Financial Results Briefing for the Fiscal Year Ended March 31, 2024

May 23, 2024



Neturen Co., Ltd.



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- I . [Section 1] Overview of Financial Results for the Fiscal Year Ended March 31, 2024**
- II. [Section 2] 16th Medium-term Management Plan**
- III. Appendix**



- I . [Section 1] Overview of Financial Results for the Fiscal Year Ended March 31, 2024**
- II. [Section 2] 16th Medium-term Management Plan
- III. Appendix



1. Overview of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

- Net sales decreased by 0.6% YoY due to the decreased orders from the construction equipment and machine tools industries despite the recovered orders from the automobile industry
 - Operating income decreased by 31.9% YoY due to the changes in the sales composition, price increases in electricity and other costs, and an increase in fixed costs resulting from a decrease in the sales volume of the civil engineering and construction-related products and construction equipment-related products
 - Profit attributable to owners of parent increased significantly comparing to last year because there was no impairment loss this year whereas there were some last year.
- (Million yen)

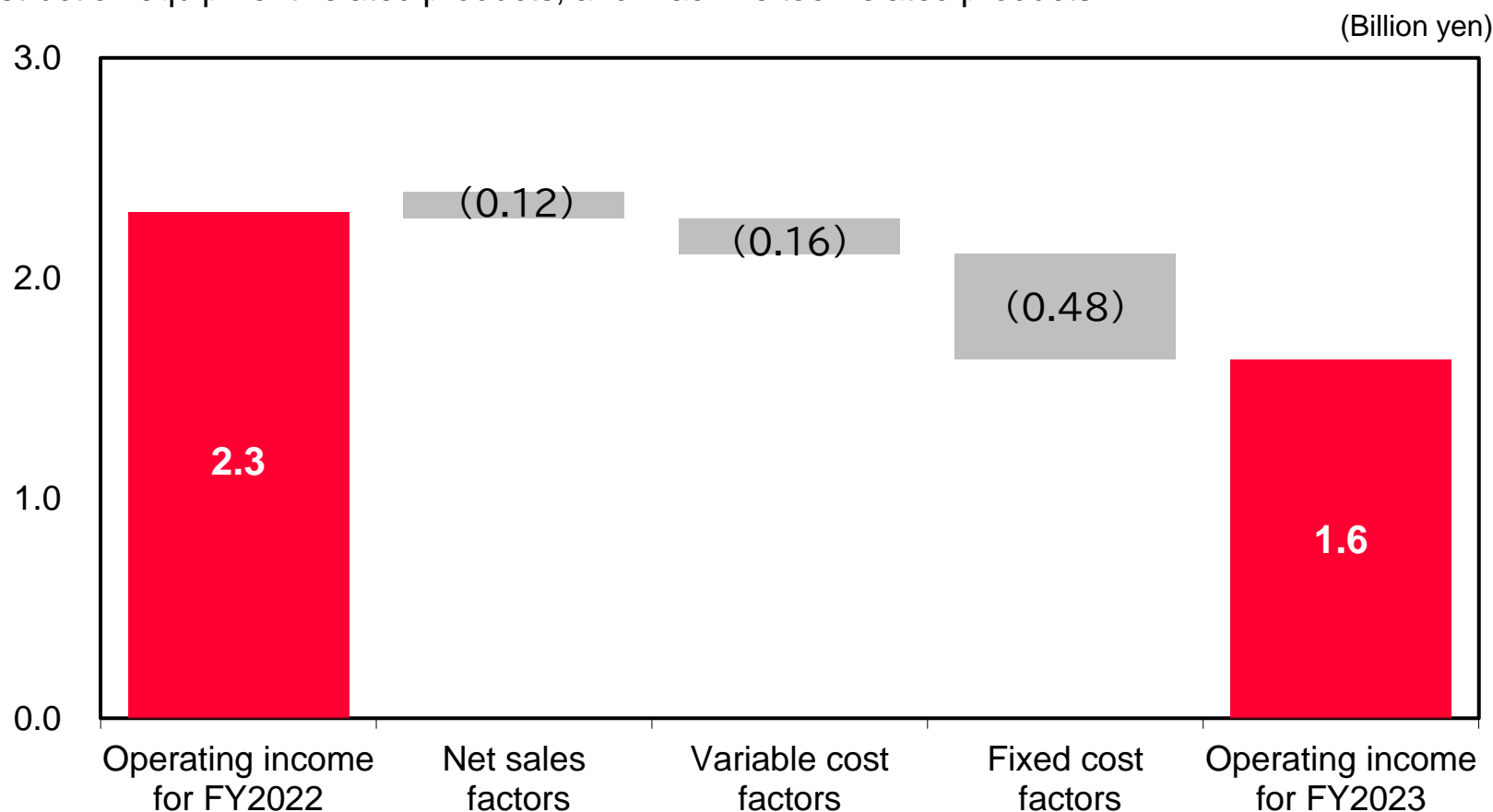
	FY2022	FY2023	Change	Change (%)
Net sales	57,524	57,205	(319)	(0.6)%
Operating income	2,396	1,632	(763)	(31.9)%
Ordinary income	3,088	2,511	(576)	(18.7)%
Profit attributable to owners of parent	381	1,542	1,161	304.4%
Return on equity (ROE)	0.6%	2.6%	—	—
Return on assets (ROA)	3.8%	3.1%	—	—

2. Consolidated Statements of Income

(Million yen)				
Item \ Year	FY2022	FY2023	Change	Change (%)
Net sales	57,524	57,205	(319)	(0.6)%
Cost of sales	47,279	47,354	75	0.2%
Gross profit	10,245	9,850	(394)	(3.8)%
Selling, general and administrative expenses	7,848	8,218	369	4.7%
Operating income	2,396	1,632	(763)	(31.9)%
Non-operating income	797	951	153	19.3%
Non-operating expenses	105	72	(33)	(31.4)%
Ordinary income	3,088	2,511	(576)	(18.7)%
Extraordinary income	51	324	272	526.4%
Extraordinary losses	1,860	189	(1,670)	(89.8)%
Profit before income taxes	1,279	2,645	1,366	106.8%
Income taxes – current	595	696	100	17.0%
Income taxes – deferred	(33)	(105)	(72)	-
Total income taxes	716	2,055	1,338	186.7%
Profit attributable to:				
Profit attributable to owners of parent	381	1,542	1,161	304.4%
Profit attributable to non-controlling interests	335	512	177	52.9%

3. Factors for Changes in Consolidated Operating Income

- Approximately ¥0.12 billion profit decrease because of a decrease in net sales.
- Approximately ¥0.16 billion profit decrease because of an increase in variable costs caused by price rises of steel and electricity which we tried to pass on our products but could not pass whole price rises on construction-related products
- Approximately ¥0.48 billion profit decrease because of a fixed cost increase resulting from rising production costs caused by a decrease of the sales volume of civil engineering and construction-related products, construction equipment-related products, and machine tool-related products



4. Segment Information (Consolidated Net Sales)

- Specialty Steel and Wire Products Division:
 - Net sales for civil engineering and construction industries decreased YoY due to construction projects postponed or delayed
 - Net sales for construction equipment industry decreased YoY due to the decreased sales volume both in Japan and overseas caused by the market stagnation
 - Net sales for automobile industry increased YoY due to the global recovering trend in the industry
- Induction Heating Division:
 - Net sales decreased YoY due to a decrease in orders from the construction equipment industry and a significant drop in orders from the machine tools industry, while orders from the automobile industry recovered
 - Net sales related to induction heating equipment steadily increased YoY

(Million yen)

Business segment	Main products/services	FY2022	FY2023	Change	Change (%)
Specialty Steel and Wire Products Division	Steel bars for prestressed concrete (PC) High-strength shear reinforcement High-strength spring steel wire ITW® Hollow rack bars Slewing bearings (construction equipment parts)	36,870	36,822	(47)	(0.1)%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	20,514	20,241	(272)	(1.3)%
Others	Leasing business others	139	140	1	1.1%
Total		57,524	57,205	(319)	(0.6)%

5. Segment Information (Consolidated Operating Income)

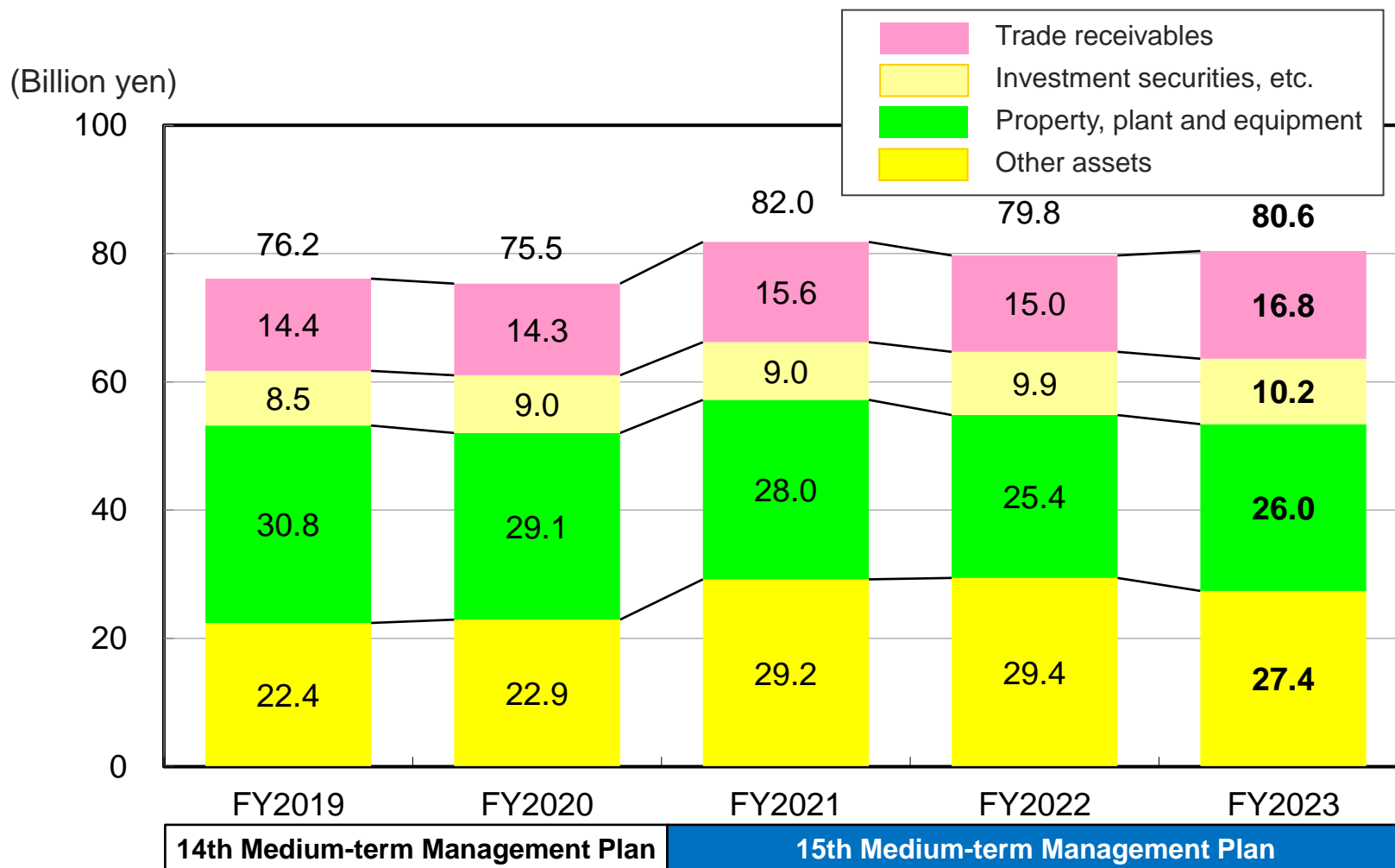
- Specialty Steel and Wire Products Division: Profit decreased significantly YoY due to profit decreasing factors including an increase in fixed costs burden resulting from a decrease in the sales volume of civil engineering and construction-related products and construction equipment-related products as well as delay of price revision
- Induction Heating Division: Profit increased YoY mainly due to orders for automobile-related products, which remained robust, and the positive outcome of the cost reduction initiatives, despite a significant drop in orders for machine tool-related products

(Million yen)

Business segment	Main products/services	FY2022	FY2023	Change	Change (%)
Specialty Steel and Wire Products Division	Steel bars for prestressed concrete (PC) High-strength shear reinforcement High-strength spring steel wire ITW® Hollow rack bars Slewing bearings (construction equipment parts)	986	123	(862)	(87.4)%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	1,353	1,448	95	7.1%
Others	Leasing business others	51	55	4	8.2%
Elimination of intersegment transactions		4	4	(0)	(15.5)%
Total		2,396	1,632	(763)	(31.9)%

6. Balance of Assets (Consolidated)

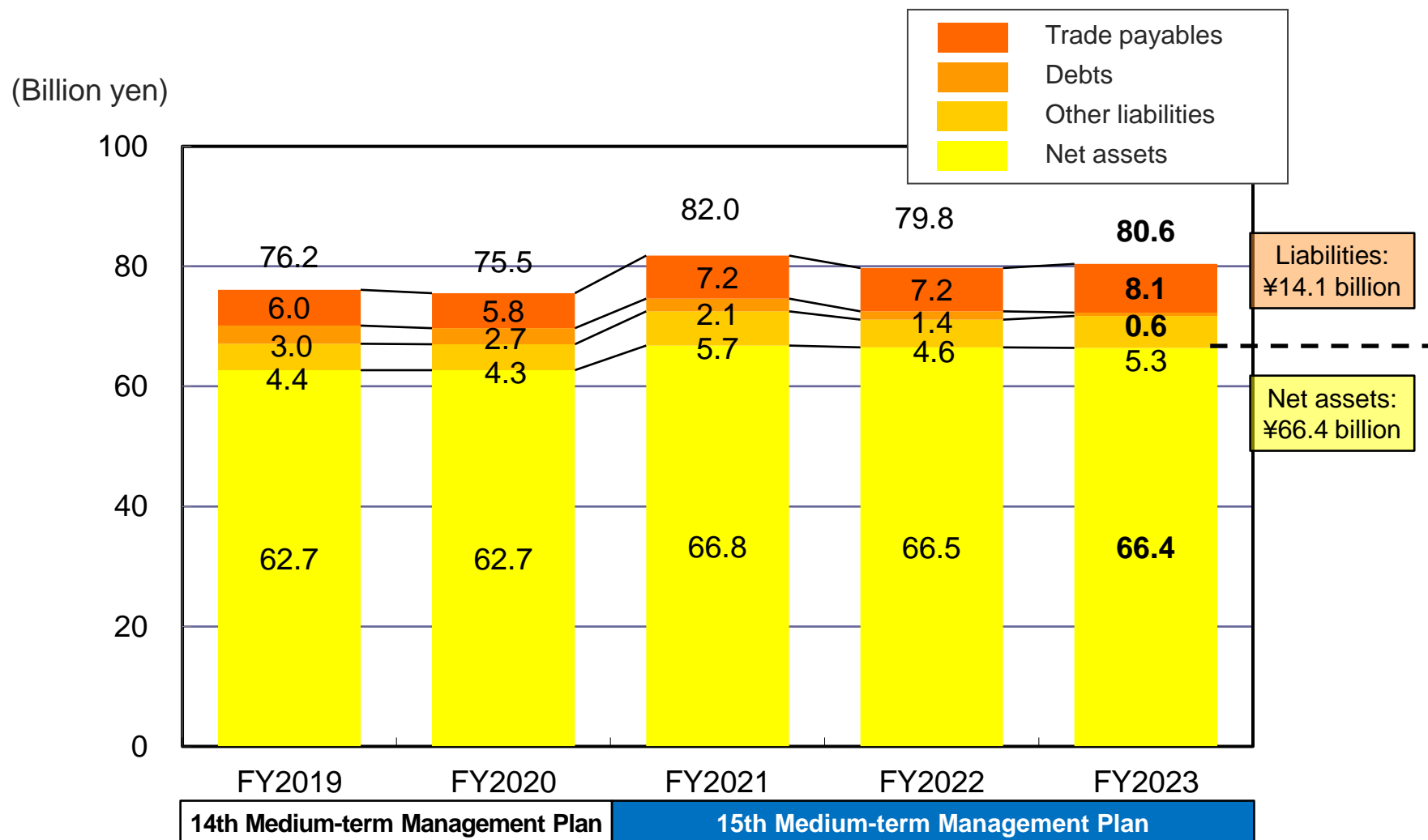
- Total assets increased by 0.9% YoY mainly due to an increase in trade receivables, despite a decrease in cash and deposits as a result of purchase of treasury shares and dividends paid
- Market value of “cross-shareholdings” included in investment securities increased due to the rising stock price; however, the number of stocks declined every year and decreased 63.0% compared to FY2019



* Other assets mainly includes cash and deposits and inventories.

7. Balance of Liabilities and Net Assets (Consolidated)

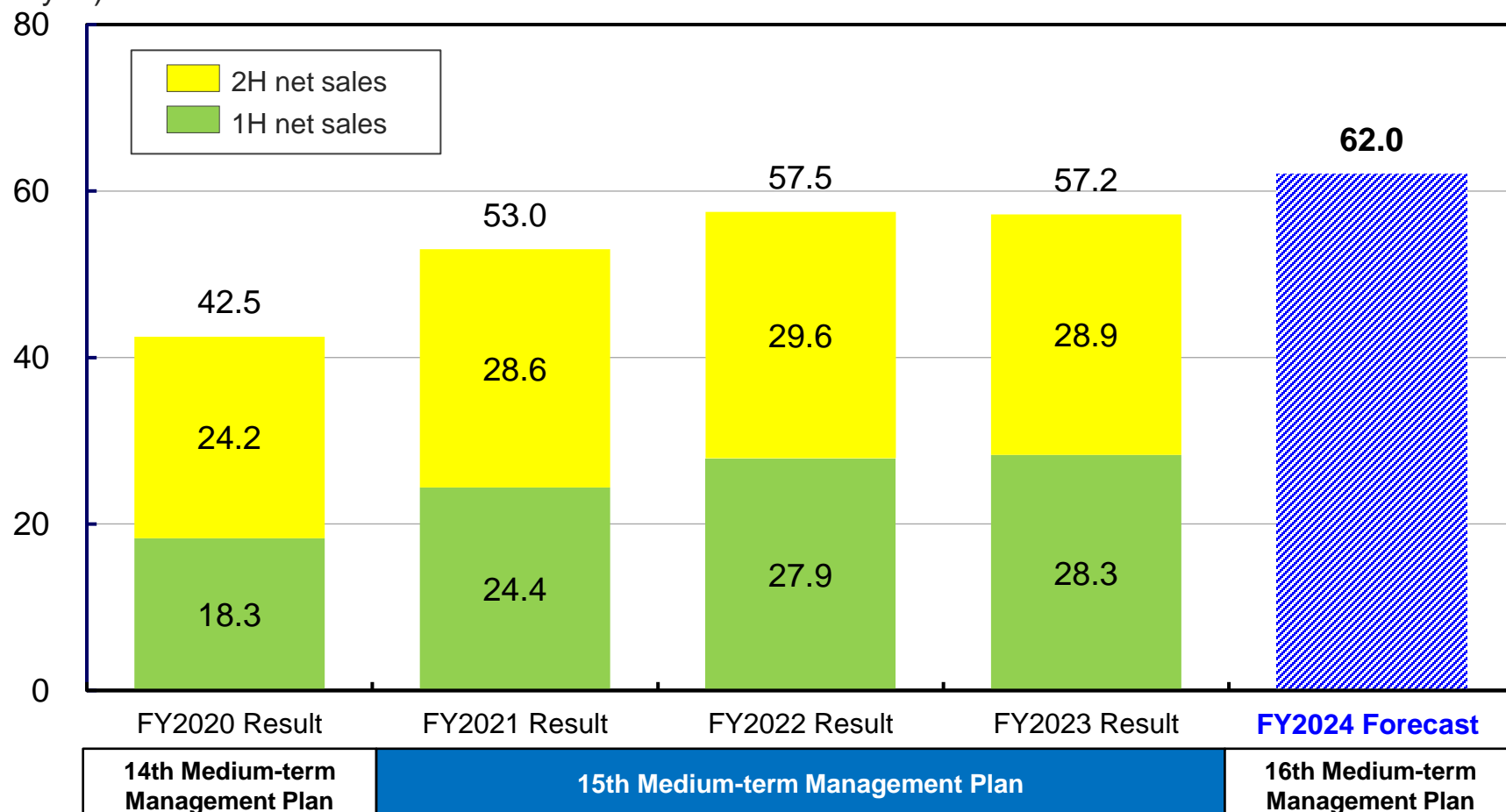
- Liabilities increased 6.0% YoY due to an increase in trade payables
- Net assets was stable YoY; Extensive purchase of treasury shares was done, but it was off set by increased foreign currency translation adjustment and an increase in possessing stock value



8. Consolidated Net Sales

- In FY2024, net sales are forecast to be ¥62.0 billion mainly due to an increase in orders from the automobile industry and recovery in sales in the civil engineering and construction industries

(Billion yen)

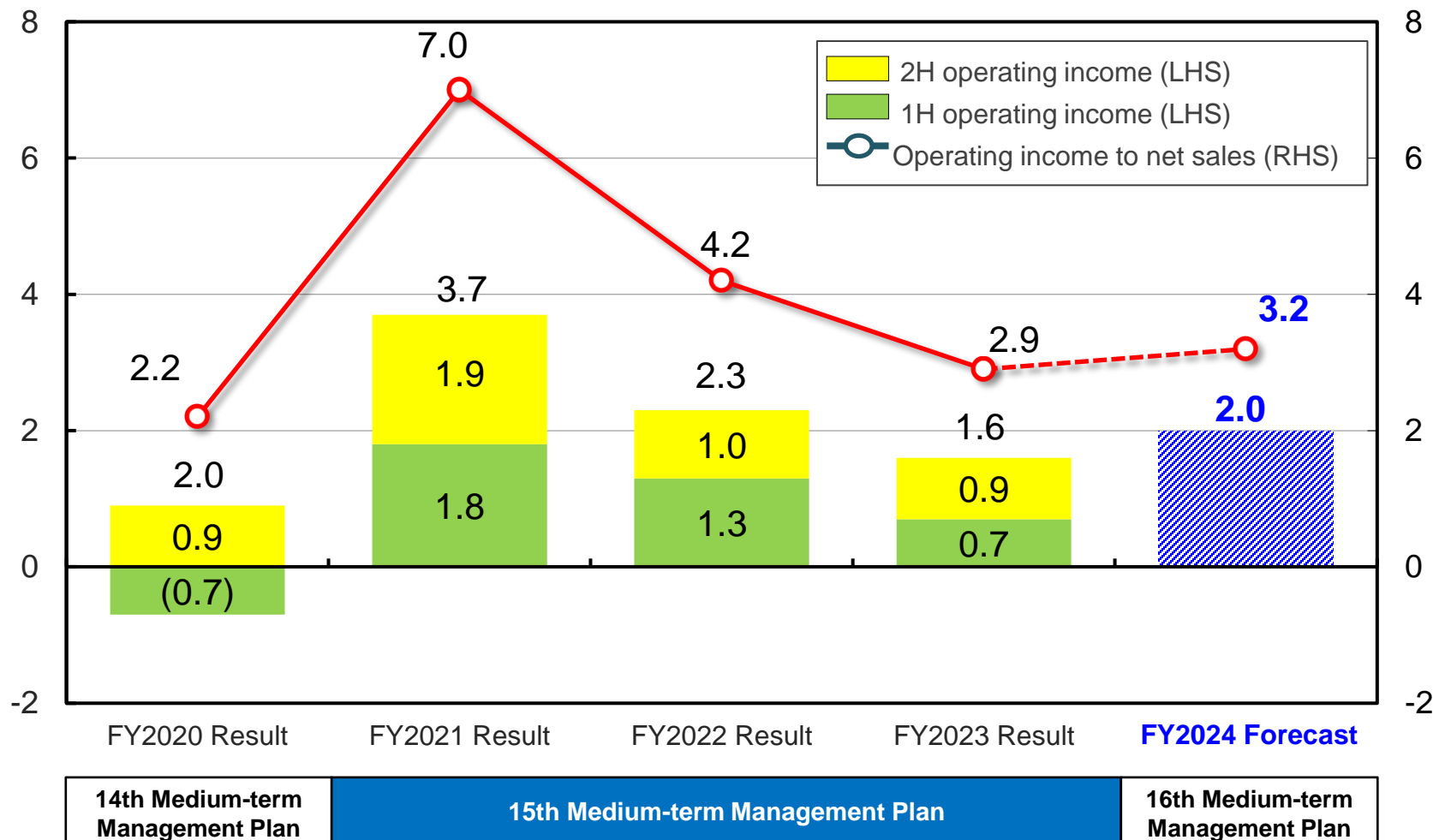


[Exchange rates]

- FY2024 1 RMB = 20.83 JPY, 1 USD = 151.41 JPY
- FY2023 1 RMB = 19.93 JPY, 1 USD = 141.83 JPY

9. Consolidated Operating Income / Consolidated Operating Income to Net Sales Ratio

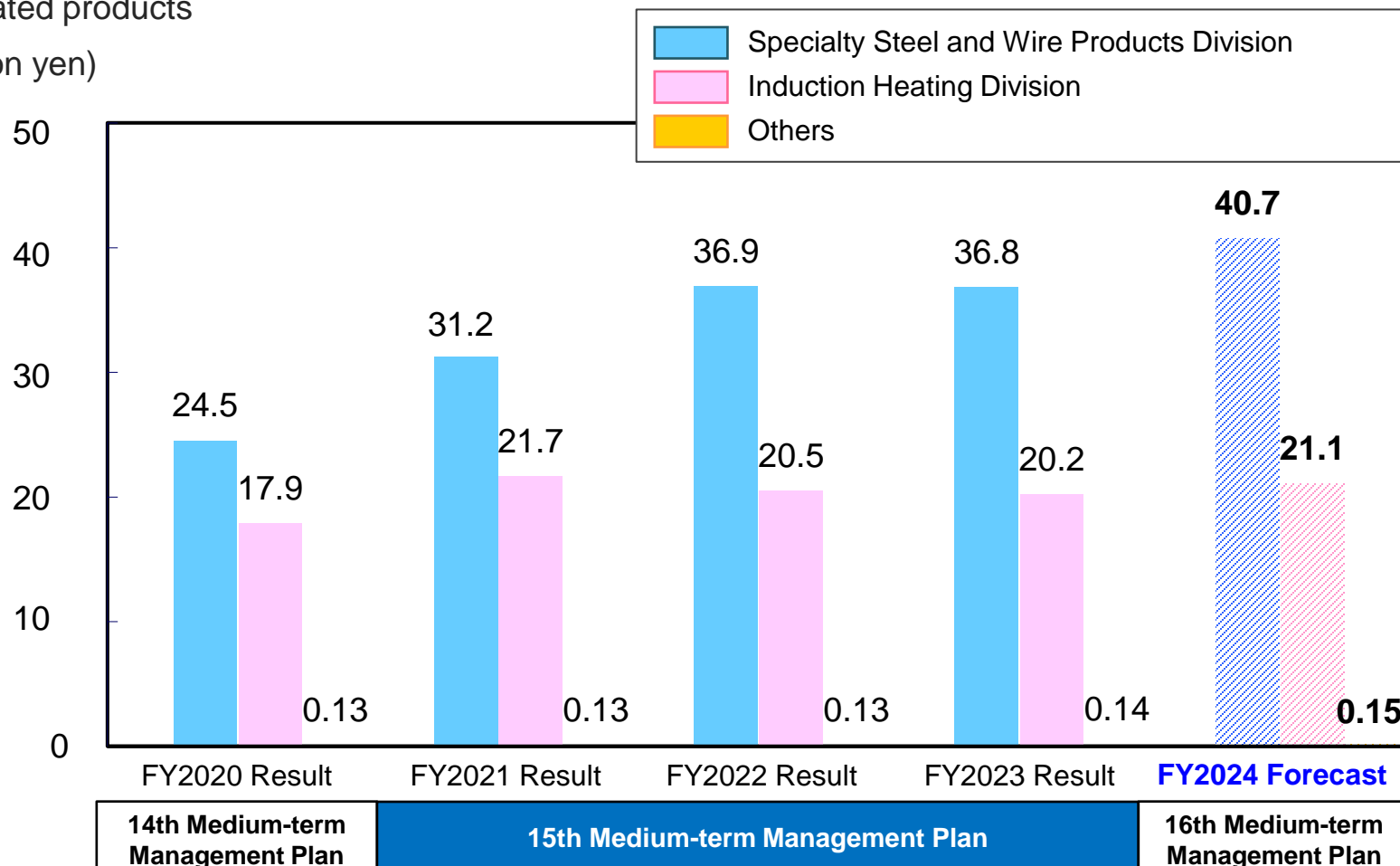
- In FY2024, operating income is forecast to be ¥2.0 billion mainly due to a positive factor for profitability from increased orders from the automobile industry and an increase in sales after price was passed on our products mainly in the construction industry



10. Segment Information (Consolidated Net Sales)

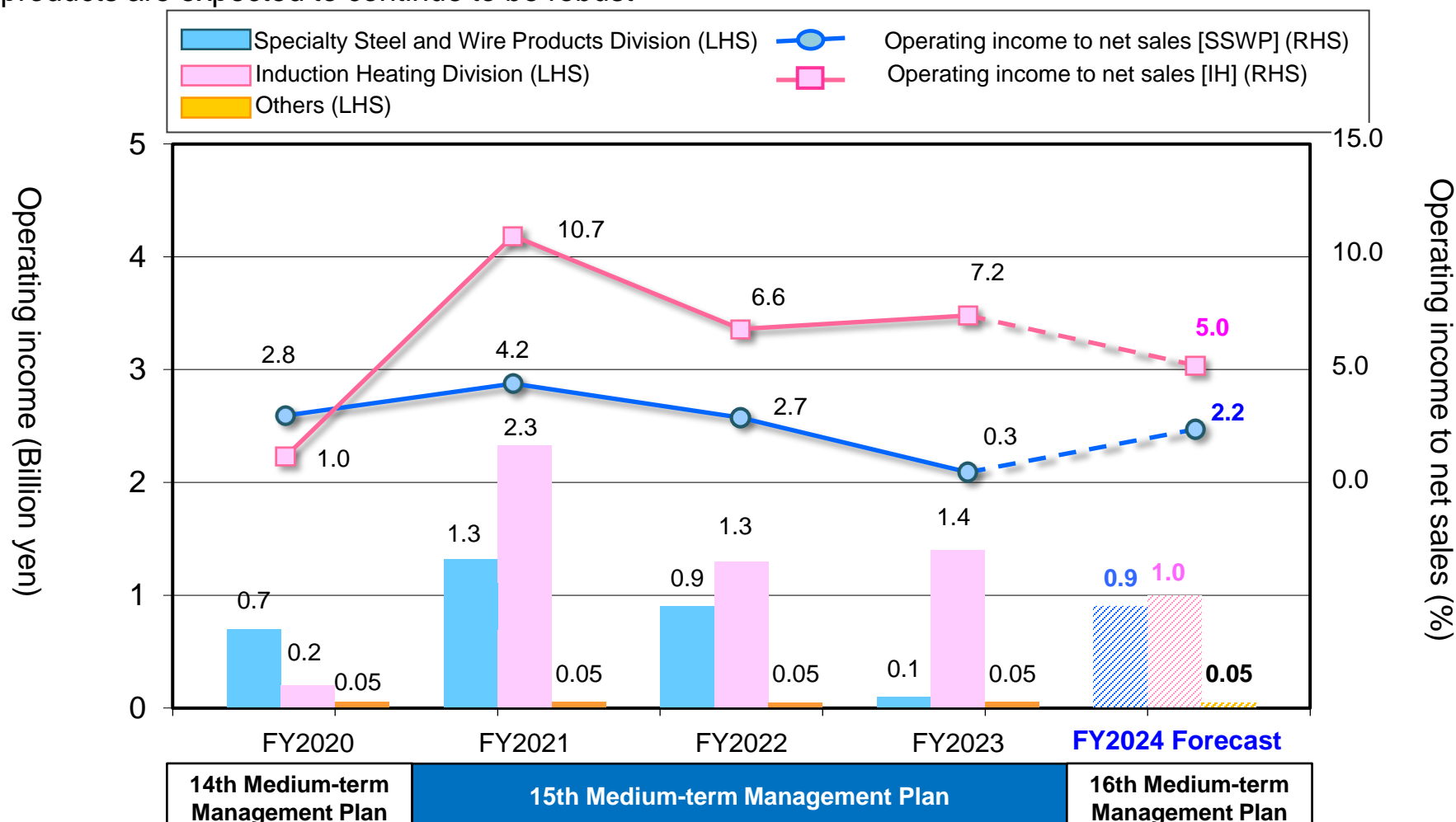
- Specialty Steel and Wire Products Division: In FY2024, net sales are forecast to increase due to an increase in orders of ITW® mainly overseas, and an increase in sales for the civil engineering and construction industries
- Induction Heating Division: In FY2024, net sales are forecast to increase due to continued orders for the automobile-related products, which is on a recovering trend, and an increase in orders for equipment-related products

(Billion yen)



11. Segment Information (Operating Income / Operating Income to Net Sales)

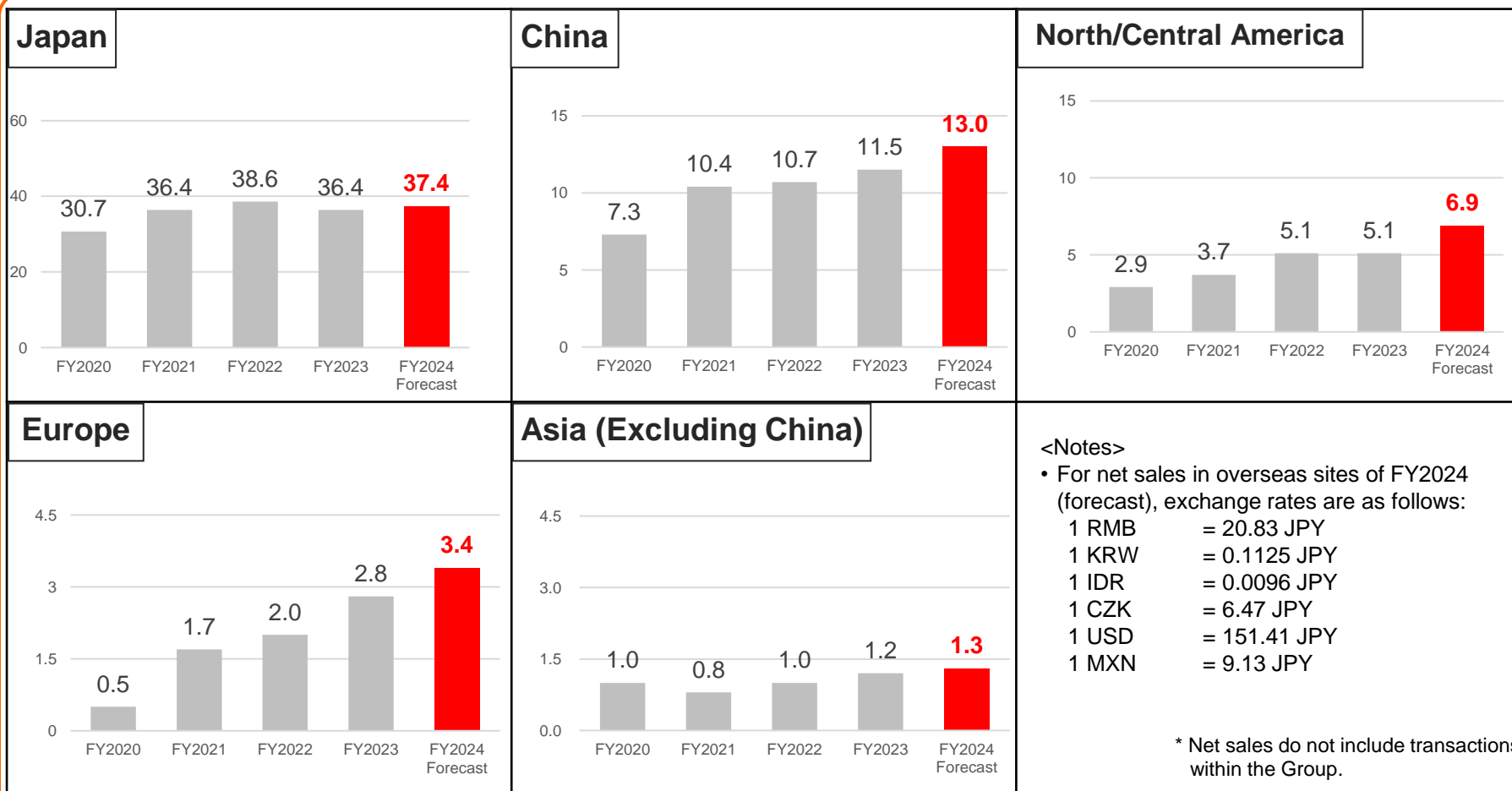
- Specialty Steel and Wire Products Division: In FY2024, operating income is forecast to increase due to factors such as an increase in net sales of ITW® mainly overseas, and an increase in sales after price was passed on our products in the construction industry
- Induction Heating Division: In FY2024, operating income is forecast to decrease due to a change in products composition and an increase in research and development costs, though orders for the automobile-related products are expected to continue to be robust



12. Net Sales by Region

- In FY2023, net sales slightly increased YoY in all regions except Japan due to price revisions and the effect of the yen depreciation
- In FY2024, net sales are forecast to increase YoY in all regions

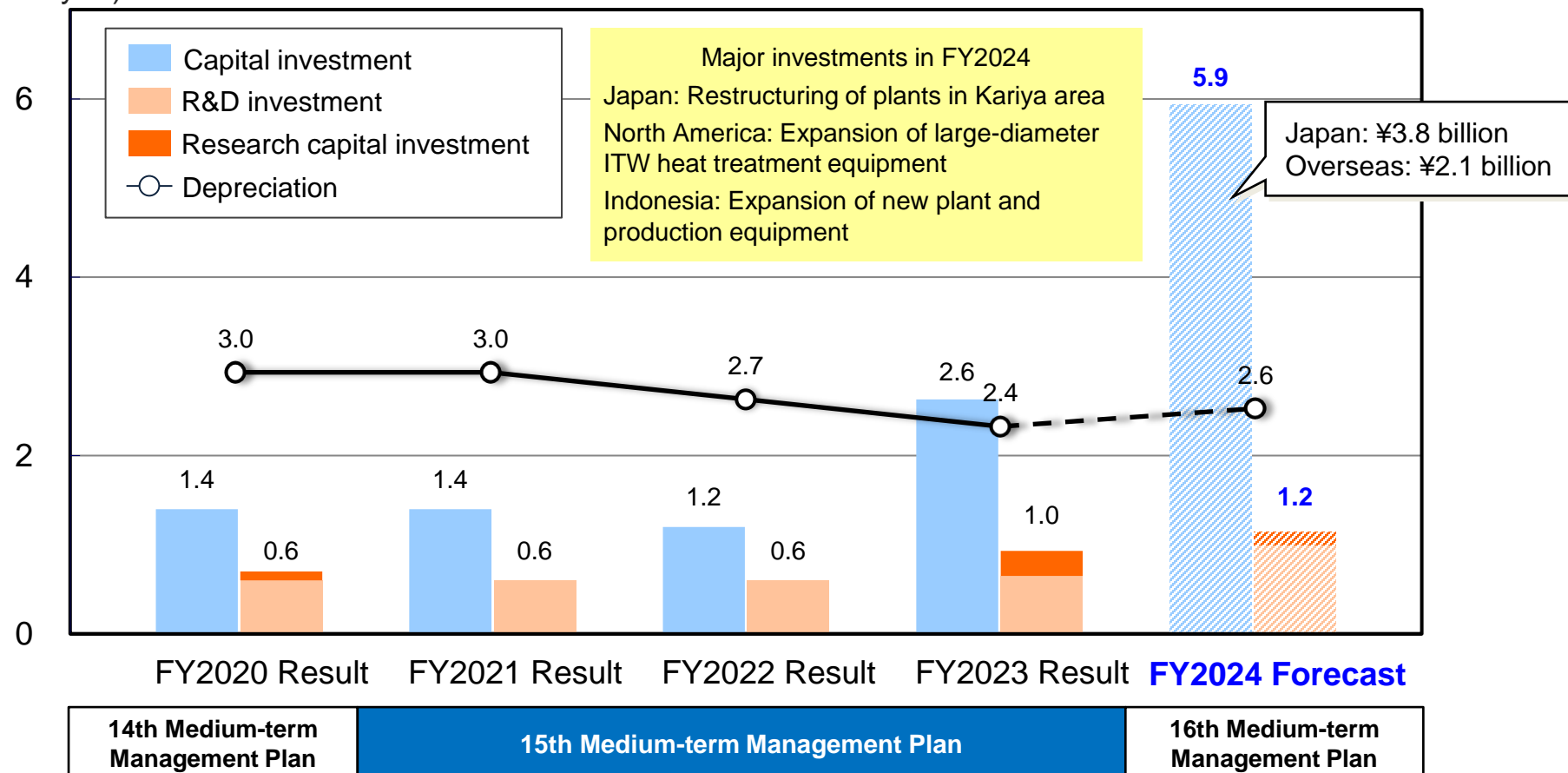
(Billion yen)



13. Capital Investment / R&D Investment / Depreciation

- Capital investment: In FY2023, approximately ¥0.9 billion investment was carried over to the next fiscal year due to the delay in installation of equipment caused by a shortage of parts. Extensive capital investment is planned in FY2024 based on the growth strategy in the business portfolio
- R&D investment: In FY2023, the same amount was invested as the previous year, but technology development continued for next generation and sustainable growth. It is expected to increase in FY2024 to create growth drivers

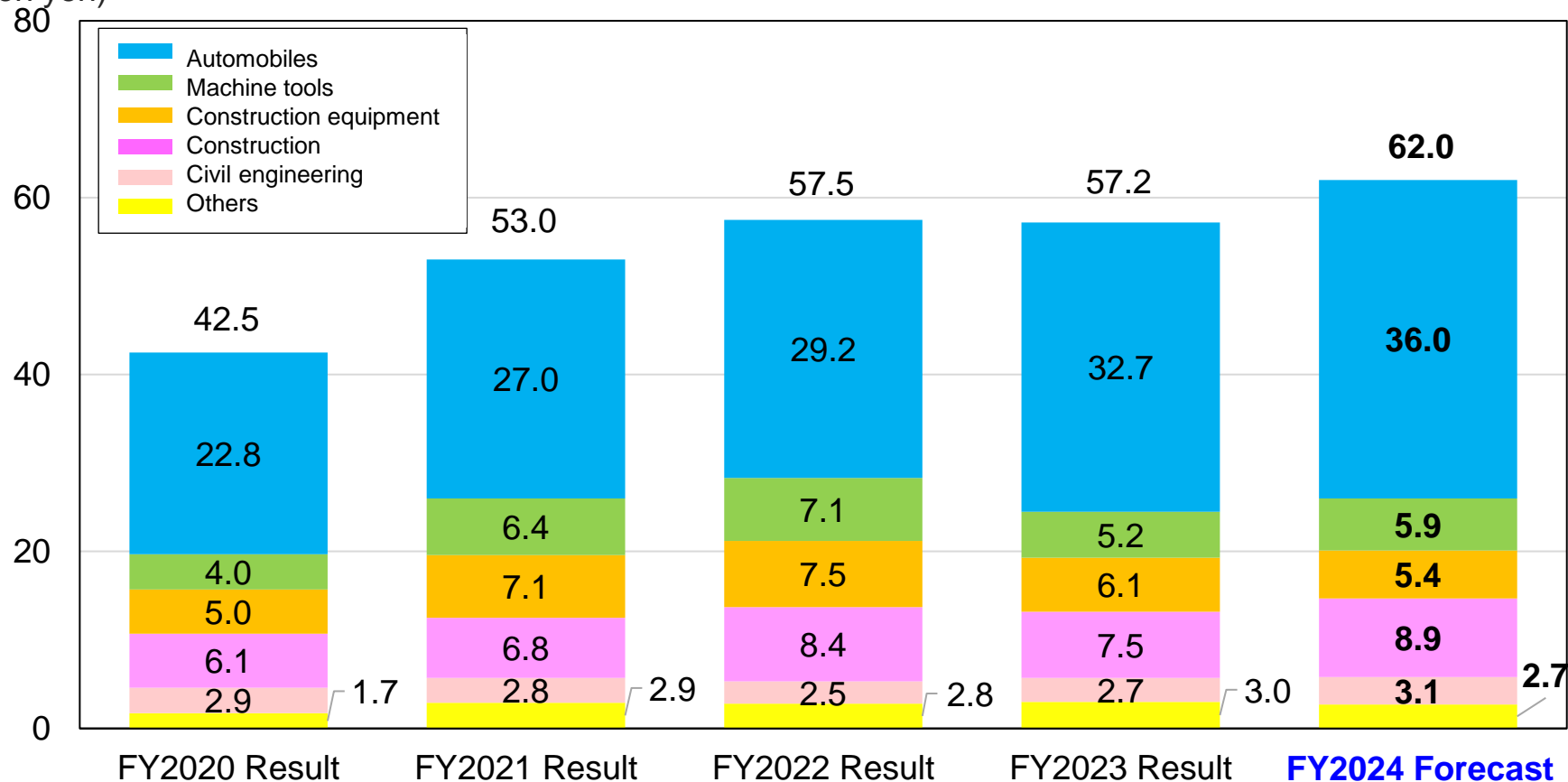
(Billion yen)



14. Net Sales by Industry

- In FY2023, net sales of automobile-related products recovered but net sales of machine tools, construction equipment and construction-related products dropped significantly
- In FY2024, the construction equipment market is forecast to remain downturn as same as the previous year; however, net sales for other industries are forecast to increase. Construction-related products are forecast to increase because of the recovery from schedule delay and design revisions

(Billion yen)



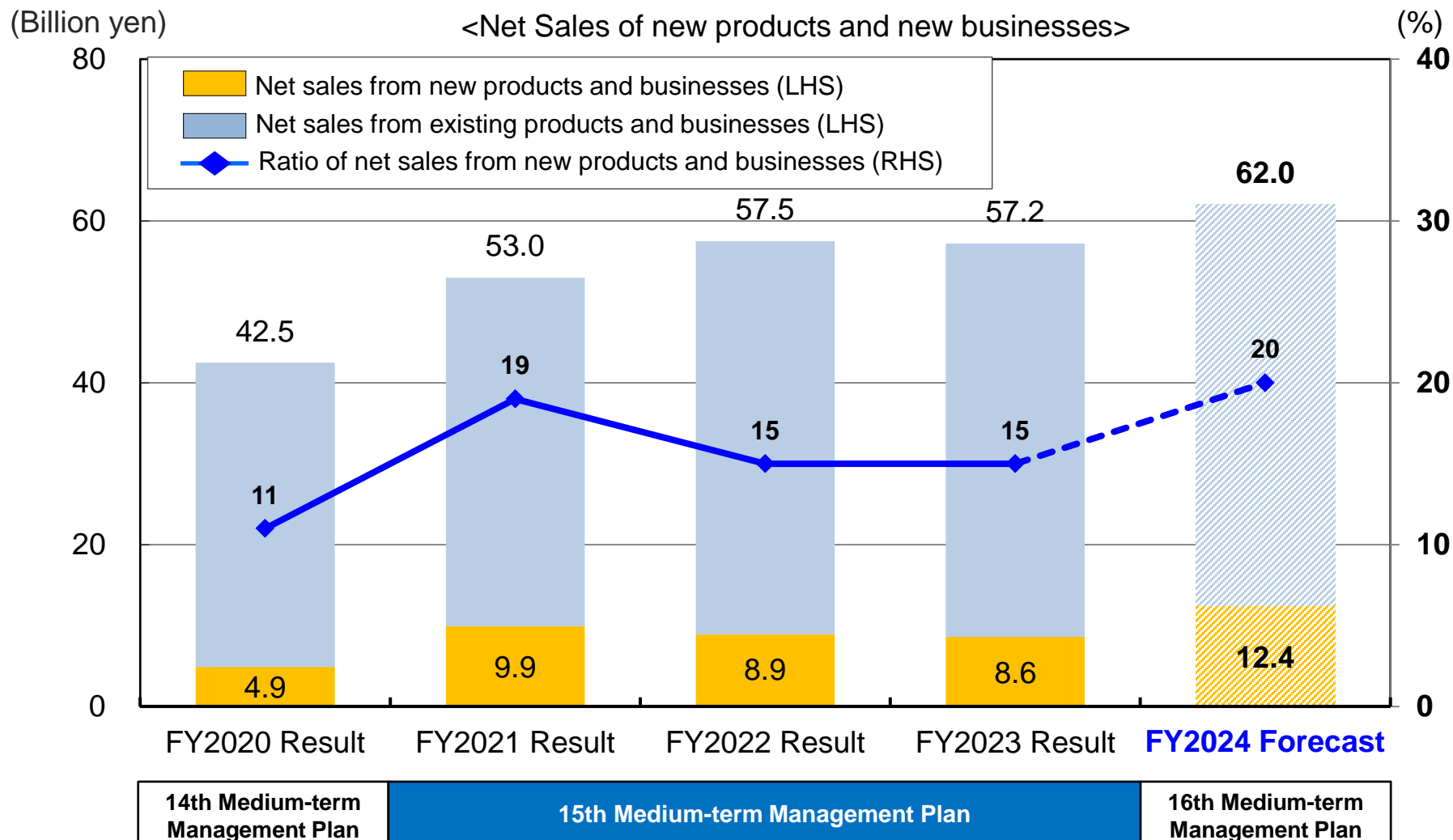
14th Medium-term
Management Plan

15th Medium-term Management Plan

16th Medium-term
Management Plan

15. Initiatives for New Products and New Businesses

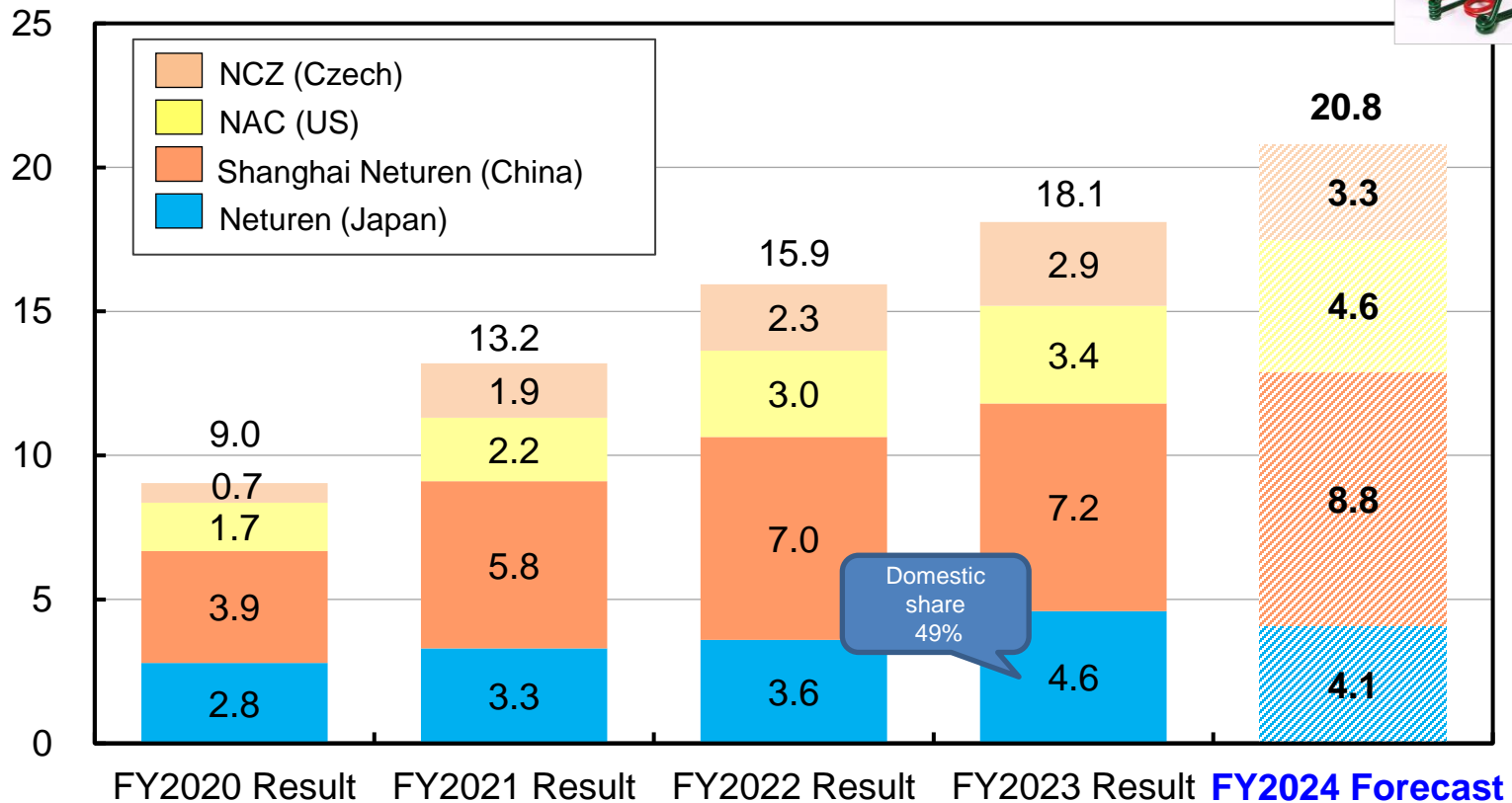
- We will promote interdepartmental collaboration based on the concept of the Inverted T-shape model, and promote the creation of new products and new businesses with higher added-value that will act as our growth drivers



16. Net Sales of High-strength Spring Steel Wire (ITW®)

- FY2023: Net sales increased 13.8% YoY, due to increased sales volume and sales price revisions in Japan, and due to increased sales volume and the effect of the yen depreciation overseas
- FY2024: Net sales is forecast to decrease slightly in Japan but remain constant overseas. For the US, sales volume will increase through enhanced production capacity. Overall net sales is forecast to increase 14.9% YoY

(Billion yen)

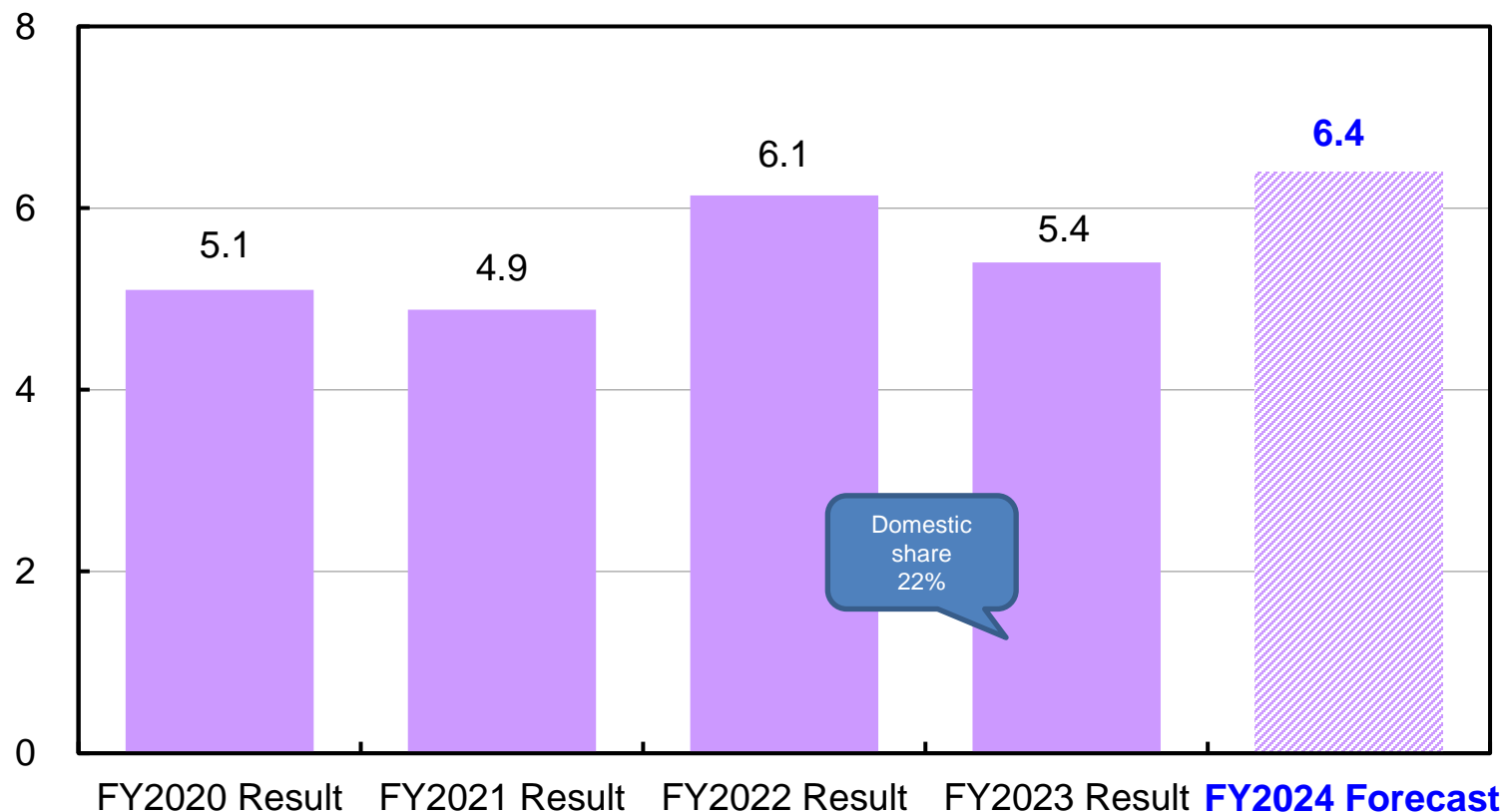


17. Net Sales of PC Steel Bars and Deformed PC Steel Bars

- FY2023: Decreased by 11.5% YoY, due to the delays in construction work caused by labor shortages and other factors, despite progress in sales price revisions to cover increased costs
- FY2024: Aim for net sales of ¥6.4 billion, focusing on sales to railway-related projects including the Hokkaido Shinkansen



(Billion yen)



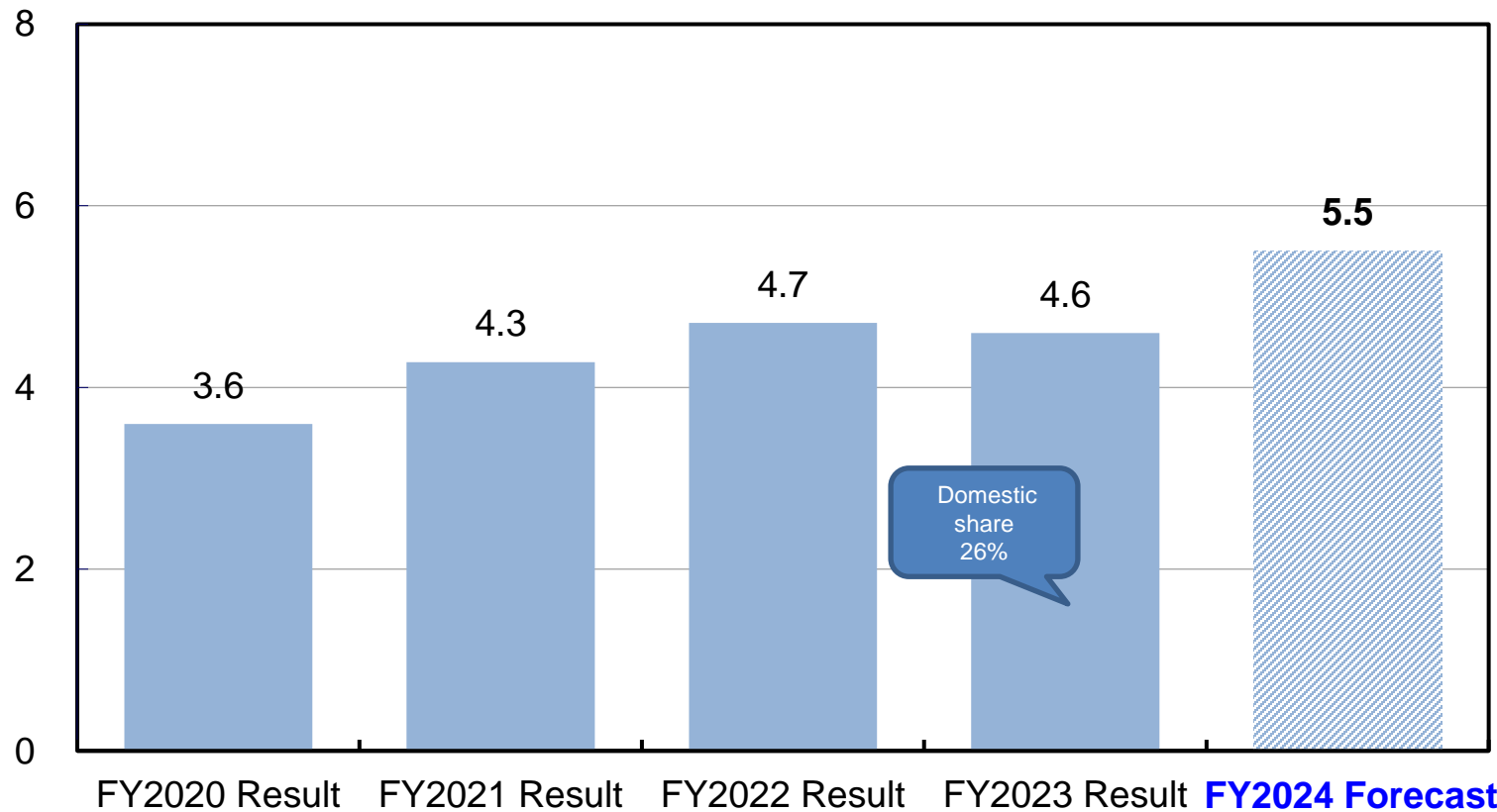
18. Net Sales of High-strength Shear Reinforcement

- FY2023: Decreased by 2.1% YoY, due to the postponed construction projects caused by the rising cost of materials, despite the sales price revisions to cover increased costs
- FY2024: Aim for net sales of ¥5.5 billion, focusing on civil engineering projects and piles

Specialty Steel and Wire
Products Division



(Billion yen)



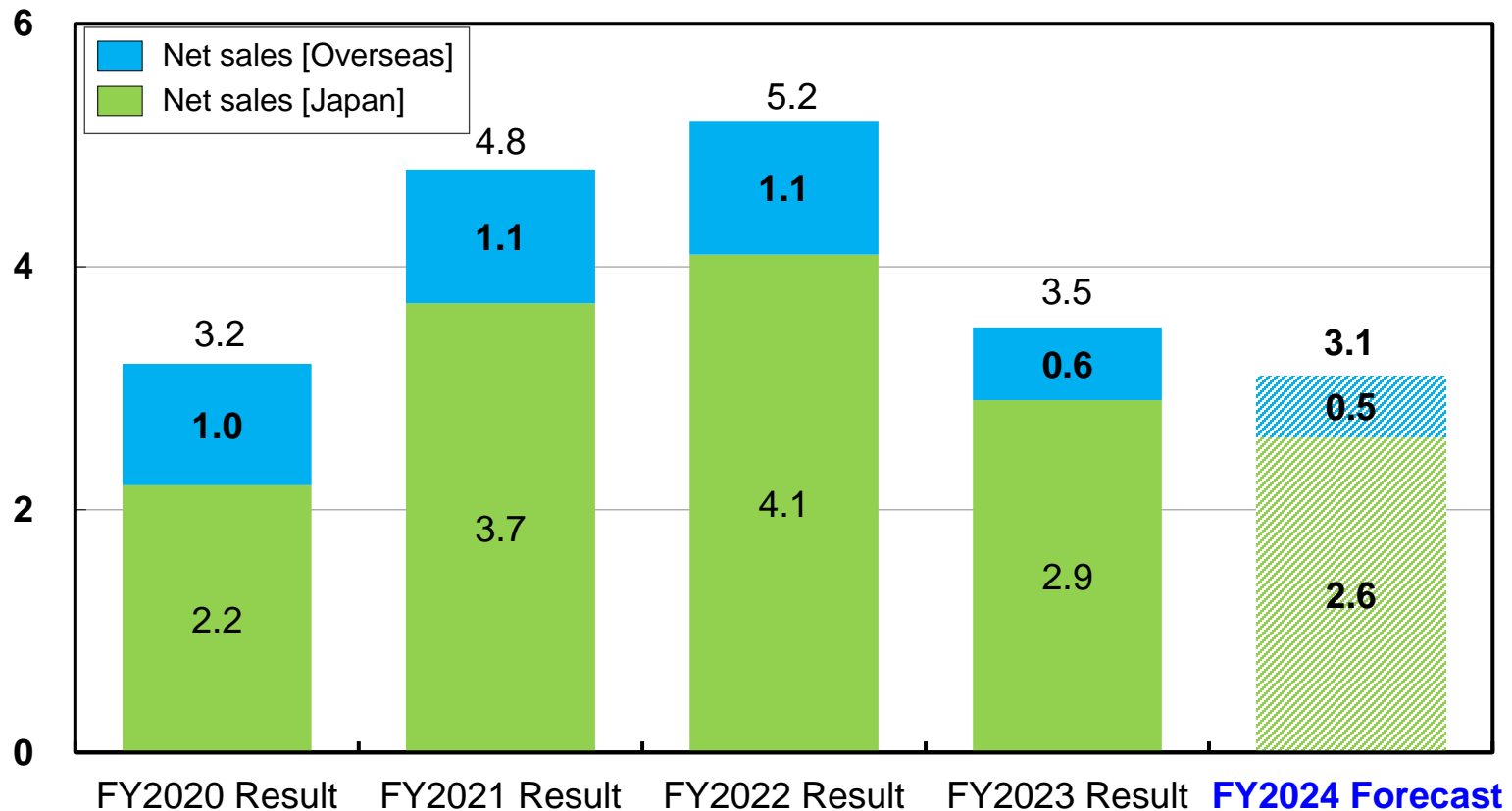
19. Net Sales of Slewing Bearings (Construction Equipment Part)

- FY2023: Decreased by 32.7% YoY due to the significant decrease in sales volume of small and medium size equipment, the Group's main products, both in Japan and China due to the stagnation of the construction market
- FY2024: Decrease of 11.4% is forecast, affected by the slow recovery of construction demand

Specialty Steel and Wire Products Division



(Billion yen)



* Includes transactions within the Group

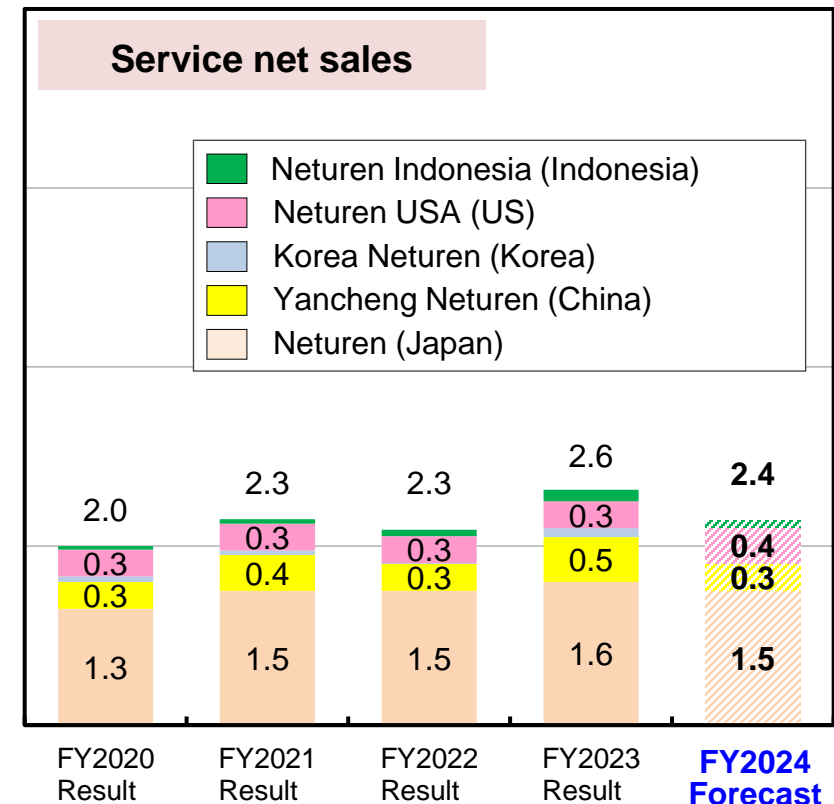
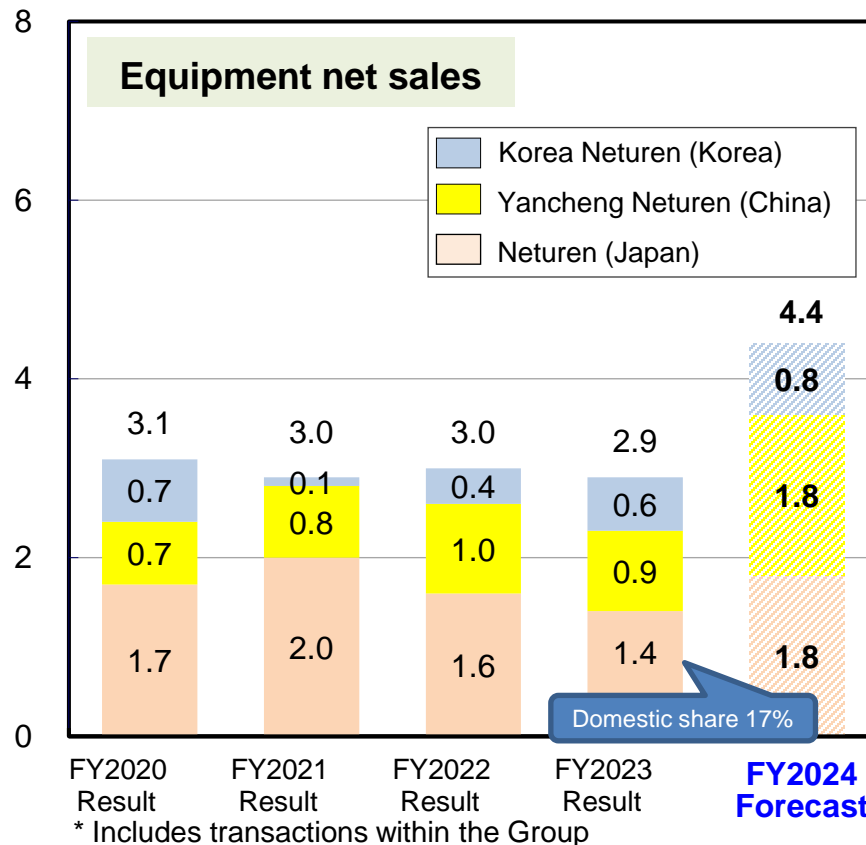
20. Net Sales of Induction Heating Equipment/Services

- FY2023: Net sales of equipment remained steady YoY. For services, net sales increased by 18.2% YoY through proactive sales promotion of an overhaul service and components for aged equipment
- FY2024: Increase by 51.7% YoY is forecast due to steadily increasing order volumes for equipment both in Japan and overseas, despite a slight decrease in services

Induction Heating Division



(Billion yen)



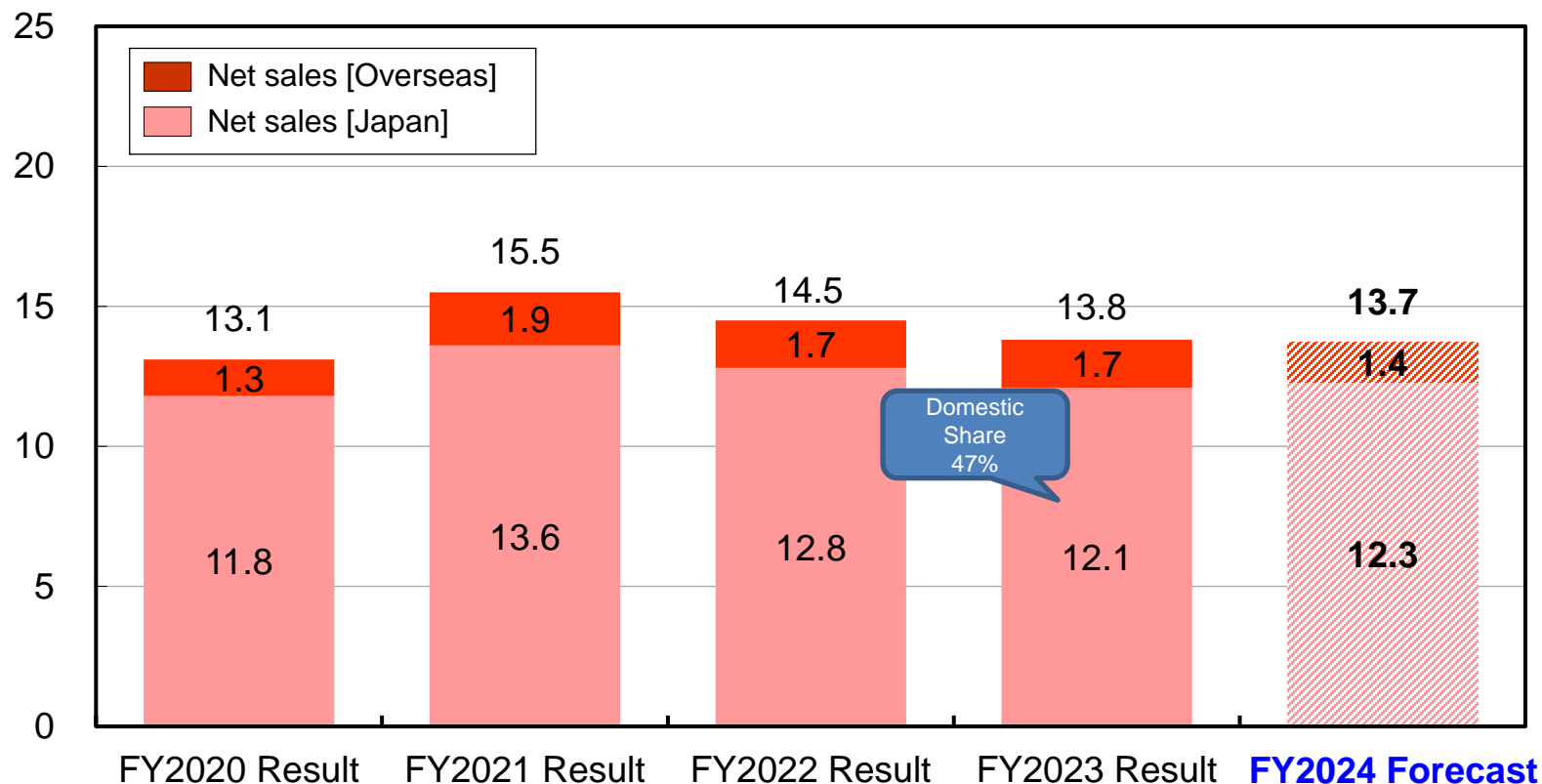
21. Net Sales of Induction Heat Treatment-related Services

- FY2023: Net sales decreased by 4.8% YoY. Though the recovering trend in orders from the automobile industry continued, there were negative factors such as orders for construction equipment shifting to a declining trend late in the second half of the fiscal year and orders for the machine tools significantly dropping, affected by customers' inventory adjustments
- FY2024: Net sales are forecast to be steady YoY affected by the slow recovery of demand for construction equipment

Induction Heating Division



(Billion yen)



22. Growth Strategies | Development of New Products

Started forming induction heating coils using newly implemented metal 3D printer (3DP) which supports pure copper forming (January 2024)

Current situation of induction heating coil production

- Quality of induction heating coils is essential for the IH technology
- Shapes vary depending on components they will be applied to, requiring tailored production

Requires experienced engineers' manual work and longer lead time

Advantages of pure copper 3DP heating coils

Compared to copper-alloy heating coils formed with conventional 3DP:

- High electric conductivity
- No post-formation heat treatment required

Enables faster production of high-precision heating coils



Example of induction heating coils made with 3D printer

Establish manufacturing technology for pure copper 3DP heating coils aiming for significant lead time reduction in coil production and higher quality (longer life)

*It has already been adopted for coils for internal and external use, and evaluation in mass-production has started.

【R&D concept】

Utilize 3DP's unique advantage of design flexibility to

“pursue an optimal shape of IH heating coil”

In collaboration with our CAE analysis, strive to

“extend life through stress analysis of coils”, and

“optimize shapes of electric current flow path and water channel”



Heating coils made with 3D printer

23. Growth Strategies | Expansion of Global Business

1. Global Expansion mainly featuring ITW®

- Four companies: Neturen Czech s.r.o., Neturen America Corporation, Shanghai Neturen Co., Ltd., Neturen Co.,Ltd.
- Their focus includes large diameter ITW® for SUVs and EVs
- New investment: Neturen America Corporation will enhance capacity of its factory and equipment for higher production volume (to start commercial production in FY2024)

◎ All four bases handling ITW® collaborate and aim to establish a global order receiving structure



Showcasing Neturen at
wire & Tube 2024,
(an international exhibition of wire industry)
Venue: Dusseldorf, Germany
Period: April 15-19, 2024



- Business discussions with some tens of global corporations, built stronger relationships
- Research new applications and needs for new products, etc.

2. Enhance structure for IH-related products

- Induction heat treatment-related services: US, Mexico, Indonesia
- Manufacturing and sales of induction heating equipment: Korea, China

Neturen USA

- Establish system for commercial production
 - After-sales service of heat treatment equipment
 - Manufacture and sales of heating coils
 - Increase production volume of existing models of automobiles
 - Sales promotion to new auto makers

Neturen Mexico

- Full operation started in 2023
 - Rapid establishment of system for commercial production
 - Expand sales activities



Neturen Indonesia

- New investment
 - Expansion of buildings and equipment is underway targeting to launch in FY2025
- Maintain system for commercial production
 - Induction heat treatment services for automobile bearing parts



24. Growth Strategies | Sales Promotion and Application Expansion of Pre-grout PC Steel Bar

Increase sales orders of a pre-grout PC steel bar which is indispensable for infrastructure development

- Adopted for development of Shin-Tomei Expressway *The Kawachigawa bridge construction works were featured in the Yomiuri Shimbun (newspaper) on May 9, 2024.

→ The product has been adopted for bridge construction works for its high corrosion resistance and excellent workability

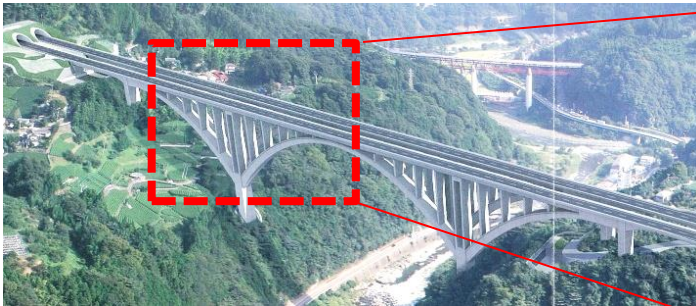
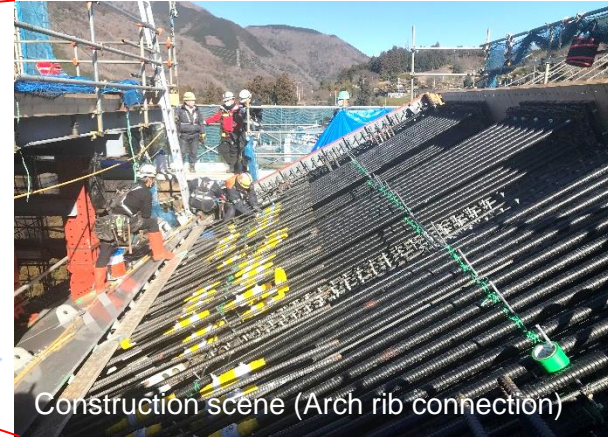


Image of completed Kawachigawa bridge on Shin-Tomei Expressway 【Source】: Central Nippon Expressway



Construction scene (Arch rib connection)



Pre-grout PC steel bars

● Key features

- PC steel bar in sheath filled with delayed-curing corrosion-resistant resin which assembled in the factory offers high corrosion resistance.
- Conventionally, bear PC steel bar installed at construction site then grouting (cement filling) took place. Our new product reduces the labor load at site and improve quality of work.

● Application expansion

- Aiming to expand to other applications, though conventionally used mainly for bridges

Table of Contents

I. [Section 1] Overview of Financial Results for the Fiscal Year Ended March 31, 2024

II. [Section 2] 16th Medium-term Management Plan

III. Appendix



16th Medium-term Management Plan (2024-2026)

May 9, 2024



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Management Philosophy

1. We continuously challenge ourselves to develop new products and new businesses based on our core heat treatment technologies, in order to contribute to the improvement of society.
2. We aim to be a trusted partner in society through superior quality and technology, outstanding customer satisfaction, and a transparent and fair corporate culture.
3. We strive for continuous improvement of ourselves and for constant growth as a company.
4. Based on the priorities of safety and health, we strive to develop our employees and establish ourselves as a dynamic corporate group.
5. We uphold our commitment to act with corporate social responsibility, based on the principle of coexistence with the environment.

Table of Contents

1. NETUREN VISION 2030
2. 15th Medium-term Management Plan
3. 16th Medium-term Management Plan



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1. NETUREN VISION 2030



NETUREN VISION 2030 "Evolution and Breakthrough"

Marketing

Inverted T-shaped model

N-DX

What the company should be

We will contribute to creating a sustainable society while increasing our corporate value.

What the company should aim at

- We will increase our corporate value and reduce environmental loads through technologies and products based on our core IH heat treatment technologies effective in reducing CO₂ emissions.
- We will continue to evolve and aim to make a global breakthrough by pushing ahead with the development of N-DX and bringing together the power of all Neturen Group employees.

Energy-efficient heat
treatment

Collective wisdom and
effort

Clean energy
utilization

CO₂ emissions reduction target*: 30% reduction in FY2030 compared to FY2013 ⇒ Net-zero in FY2050

SDGs

ESG

CSR

CGC

1. NETUREN VISION 2030 | Targets of 4 Main Segments

Technology Development

Integrate each developing process up to mass production to create value with our advanced technology, thereby contributing to a sustainable society.

Business

Enhance corporate value with our global environment conscious equipment and products as well as through our highly efficient, outstanding quality production with fulfilling diversifying employee satisfaction (ES) to be a prestigious company.

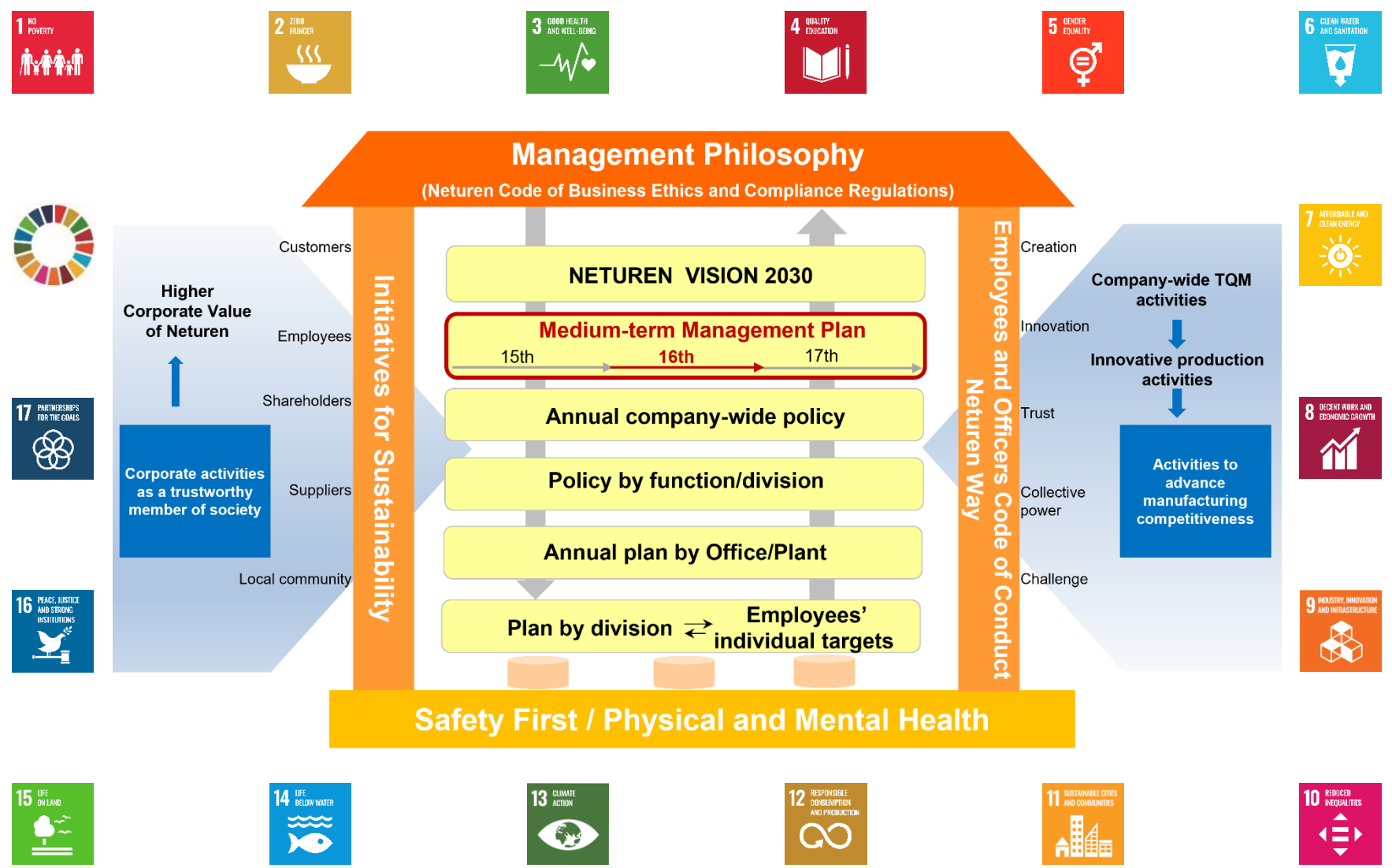
Global

Accurately grasp global market to increase profit while gaining recognition of Neturen's IH technology globally aiming to reduce environmental impact and achieve sustainable society.

Human Resources

Support our employees to grow as individuals with a self-motivated mind-set of contribution and can-do spirit. Foster diverse, globally capable human resources to strengthen our global competitiveness.

1. NETUREN VISION 2030 | Positioning of the 16th Medium-term Management Plan



2. 15th Medium-term Management Plan | Summary of Results

- ✓ During the period of 15th Medium-term Management Plan (2021-2023), the impact of COVID-19, the conflict in Ukraine, and soaring resource and energy prices associated with the drastic deprecation of the yen, significantly suppressed profit.
- ✓ In FY2023, the net sales target was achieved by the cost transfer to the selling price; however, the operating income target was not reached due to increased production costs caused by decreased sales volume originating from the stagnation of the market. Targets for ROE and ROA were also not reached despite the execution of an aggressive capital policy.

(billion yen)





	FY2021 Results	FY2022 Results	FY2023		
			Medium-term Managemnet Plan Target	Results	Change
Net sales	53.0	57.5	56.0	57.2	1.2
Operating income	3.7	2.3	4.0	1.6	(2.4)
Operating income to net sales	7.0%	4.2%	7.1%	2.9%	(4.2)%
Return on equity (ROE)	4.6%	0.6%	5.0% or more	2.6%	(2.4)%
Return on assets (ROA)	5.6%	3.8%	5.5% or more	3.1%	(2.4)%

2. 15th Medium-term Management Plan | Review of Four Strategies

15th Medium-term Management Plan

Strategy 1	Stabilizing business by further strengthening core competence, and developing new technologies, products and businesses to the market
Strategy 2	Promote digitization and improve information sharing throughout the company led by N-DX organization and start full operation in three years
Strategy 3	Identify SDGs as the core of management, promote reduction of CO2 emission and contribute to a sustainable society
Strategy 4	Develop human resources to enhance the Group's sales and marketing capabilities globally

*○△× indicates evaluation of the results.

Strategy 1 <div>Priority subject in the 16th Medium-term Management Plan in succession</div>  <ul style="list-style-type: none"> ● Competitiveness of core businesses <ul style="list-style-type: none"> Productivity was improved by automation and IoT Production capacity increased in US and Indonesia Cost transfer to the selling price of products was successfully implemented however, cost increase was too fast to catch up ● New technologies, new products, and new businesses <ul style="list-style-type: none"> EV-related new products and new cut-off construction method were introduced to the market. However, the initial sales target was not achieved due to stagnated market. New businesses were not commercialized enough (New products/businesses sales ratio in 3 yrs. under the 15th Plan: 16%) 	Strategy 2 <div>(Activities to continue to catch up the delay)</div>  <ul style="list-style-type: none"> ● Team discussion and examination in accounting, sales, and manufacturing <ul style="list-style-type: none"> Targets and road maps were set Some delays took place in accounting and sales teams, but they are being caught up now Manufacturing team activity is on track <p>Achievement: ICT infrastructures were installed in production sites (Phase 1) Electricity consumption and CO₂ emission were visualized Heat treatment data base was established VR-based safety training system was installed</p>
Strategy 3  <ul style="list-style-type: none"> ● Penetration of SDGs management to the company <ul style="list-style-type: none"> Corporate Sustainability Promotion Committee and Environmental Protection Committee were established, thereby discussion was activated and decision was accelerated First integrated report was issued and internal promotional activities were implemented ● CO₂ reduction <ul style="list-style-type: none"> CO₂ emissions were reduced for 22% in 3 years in 15th Medium-term Management Plan compared to the previous same period by improvement activities in each area Solar photovoltaic device was installed in two bases (Amagasaki and Kobe) 	Strategy 4  <ul style="list-style-type: none"> ● Development of skilled human resources <ul style="list-style-type: none"> Trainees were dispatched to overseas factories. Inter-group personnel exchange among global factories were implemented for training purpose. Members of group companies were invited to QC circle convention Skills map was completed and skillset records were used effectively ● Diversity enhancement <ul style="list-style-type: none"> Female employee was appointed to overseas sales department. Candidate of female management was invited to training course of managerial position ● Implementation of diverse work styles <ul style="list-style-type: none"> Regulations were installed for working at home, child-rearing/nursing leave and paternity leave

3. 16th Medium-term Management Plan | Basic Policy

Basic Concept

- In Phase 2 of NETUREN VISION 2030, we will expand business by proactive, efficient and effective capital investment. We will create new technologies to driving to growth, generate fresh business models for flourish alongside developing self-motivated employees.
- We will gain NETUREN brand recognition, strengthen sustainability management, make our global environment conscious technologies and products known, increase corporate value, and strive to meet social requirements.



16th Medium-term Management Plan Slogan

Period: April 2024 to March 2027 (Three years)

Slogan: **Aggressive Challenge One NETUREN 2026**

Objective: Growth, Evolution, and Breakthrough

Challenge boldly and aggressively by **getting together**
collective resources of whole group companies

3. 16th Medium-term Management Plan | Four Strategies

- ✓ Under 16th Medium-term Management Plan (Phase 2), we will strengthen capital cost management and expand business by **bringing together** the four strategies of the VISION.

Increased Corporate Value

Technology Development

●Create New Drivers to Grow

- Based on our marketing expertise, we will create new businesses, products and technologies through flexibly **bringing together** our collective inter-group strengths using Inverted T-shaped model.

Business

●Generate Growth Engines

- Improve production engineering to gain competitiveness of our products by **bringing together** new technologies and our cultivated work-site operational expertise to expand our business and win higher customer satisfaction.

Global

●Expand Market Globally

- Expand the global market including untapped areas by **bringing together** information network and publicizing our products, services, and technologies which contribute to reducing CO₂ emissions and mitigating global environmental impact.

Human Resources

●Develop Employees with Self-motivation at Work

- Develop personnel who think positively, possess self-motivation and embrace diversity. **Bring together** individual activities to the entire NETUREN Group to accelerate our corporate growth.

Capital Cost Management

- **Capital policy and financial strategy**
- **Capital allocation**
- **Full-scale introduction and roll out of ROIC**
- **Business portfolio**



Management capital will be invested after examination and determination based on strategies with clear intention

3. 16th Medium-term Management Plan | Identified External Risks

- ✓ **Management runs business with paying attention to risk factors of the Group and taking necessary actions.**

Identified major potential risks to our business

- **Climate change and its impact to our business**
- **Global inflation and its affect to the global economy and our business**
- **Geopolitical risks which cause changes in supply chain and business environment**
- **Rise in raw material and energy prices, drastic changes in financial and foreign exchange markets**
- **Longer delivery term and increasing labor cost due to the new Japanese regulation in 2024 in construction and logistics industries**

3. 16th Medium-term Management Plan | Financial Targets

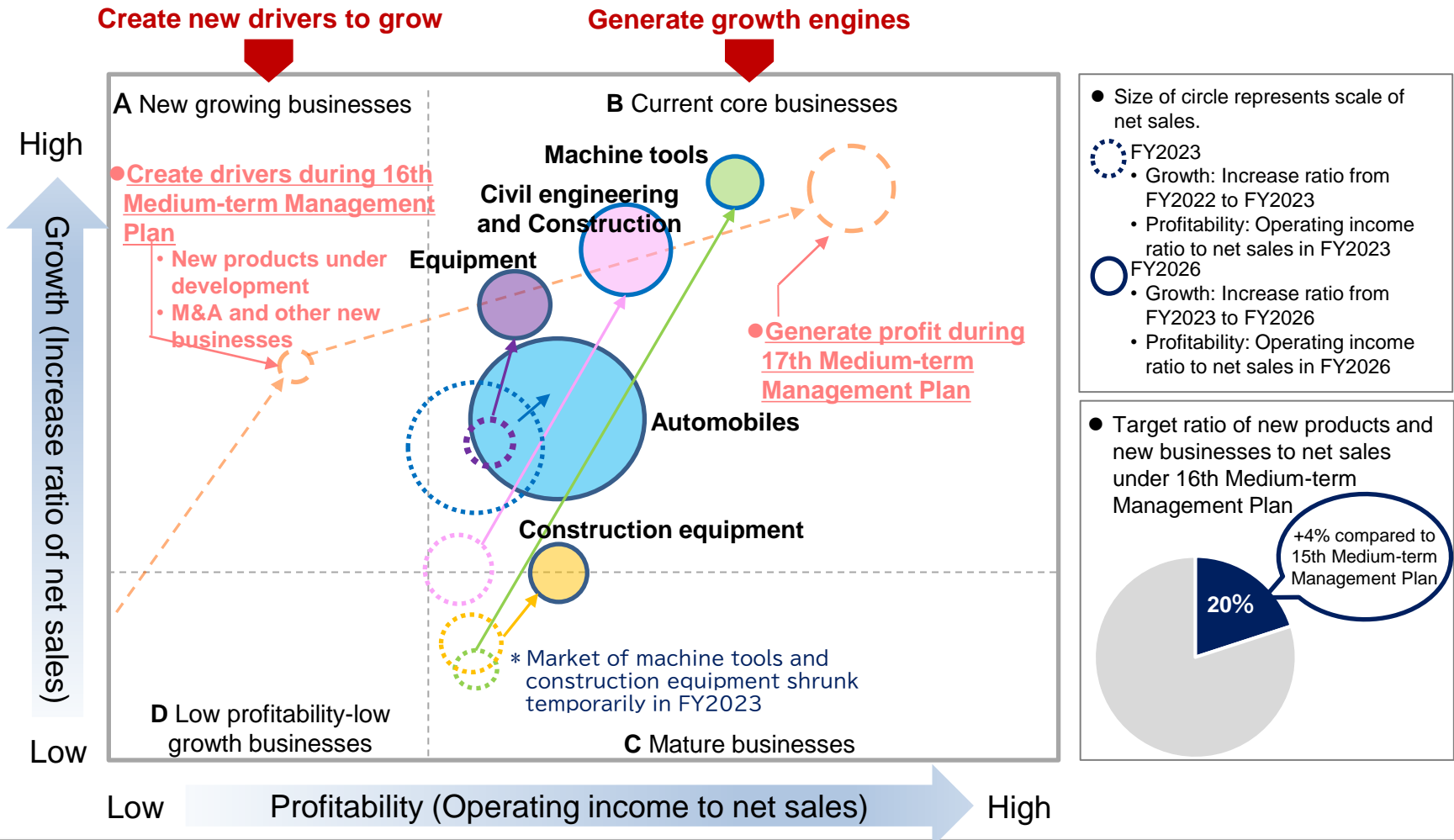
- ✓ Various growth strategies are set to achieve record high net sales and ambitious profit target for Phase 2 of Vision 2030.
- ✓ Capital cost management is enhanced to increase corporate value and ROIC indicator is fully introduced to measure it.

(Billion yen)

	FY2023 results	FY2026	
		Plan targets	Change
Net Sales	57.2	70.0	12.8
Operating income	1.6	4.6	3.0
Operating income to net sales	2.9%	6.5%	3.6%
Return on equity (ROE)	2.6%	6.5% or more	3.9%
Return on assets (ROA)	3.1%	5.5% or more	2.4%
Return on invested capital (ROIC)	2.6%	5.5% or more	2.9%

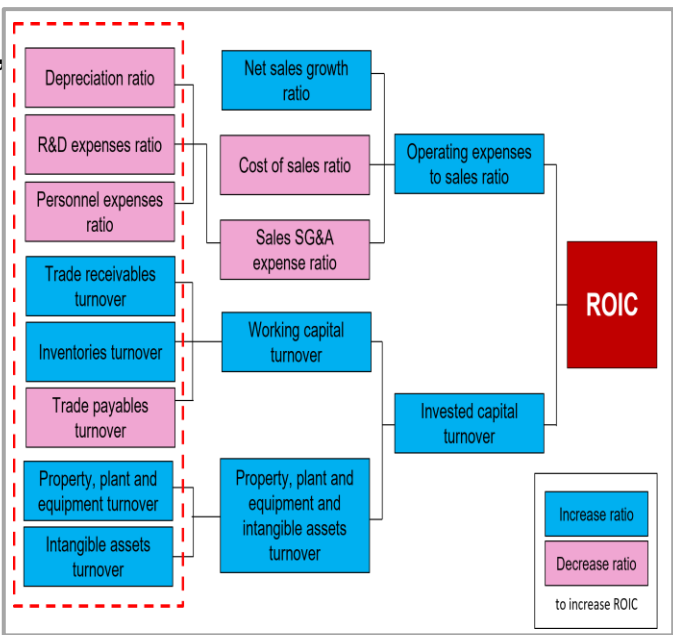
3. 16th Medium-term Management Plan | Business Portfolio

- ✓ Besides sales increase and profitability improvement of existing core businesses, create new driving technologies to grow during the period of 16th Medium-term Management Plan to achieve sustainable business.



3. 16th Medium-term Management Plan | Capital Cost Management | Full-scale Introduction of ROIC

- ✓ **Actions to develop employees' understanding**
 - Conduct seminars to teach how to increase corporate value, what are the capital cost management and ROIC for all employees across the Neturen Group. Develop training tools
- ✓ **Target setting and defining action for improvement**
 - Inform ROIC target set for each base of the Neturen Group.
 - Define actions for improvement for each base to align with their own organizational missions using the inverted ROIC tree
- ✓ **Progress follow-ups and implementation of corrective actions**
 - Check the progress status of implementation of ROIC in each base
 - Implement corrective actions to issues and move forward to the next stage



Inverted ROIC tree

Adopt formula focusing on capital management, not for financing, but for fund management in each base

<ROIC formula adopted in Neturen>

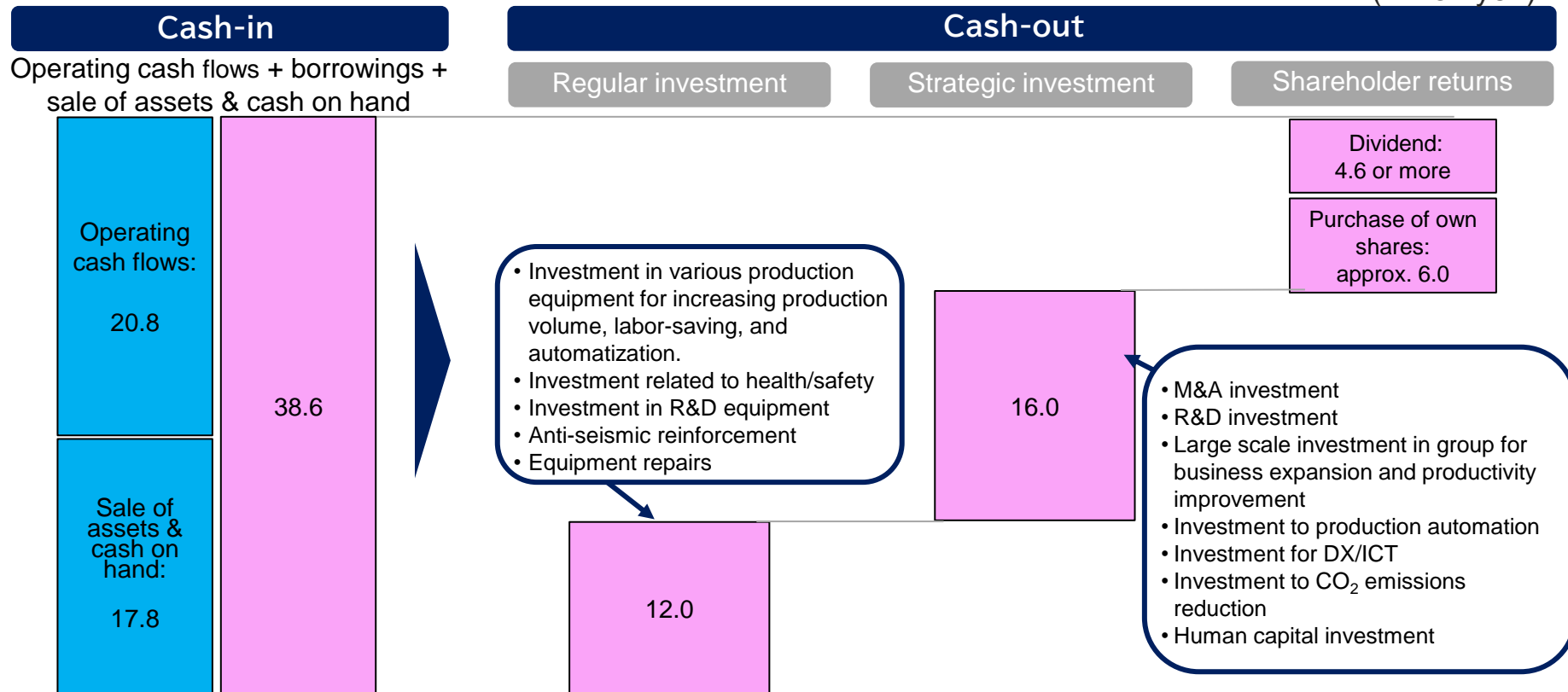
$$\text{ROIC} = \frac{\text{Operating income (after tax)}}{\text{Invested capital (trade receivables + inventories + non-current assets - trade payables)}}$$

3. 16th Medium-term Management Plan | Capital Cost Management | Capital Allocation

- ✓ **Actively invest capital to prioritized growth sectors to achieve sustainable increase of corporate value. Improved shareholder returns in 15th Medium-term Management Plan also to be continued.**

● 16th Medium-term Management Plan

(Billion yen)



* Sale of assets includes sale of cross-shareholdings
 * Debt financing may be used if necessary

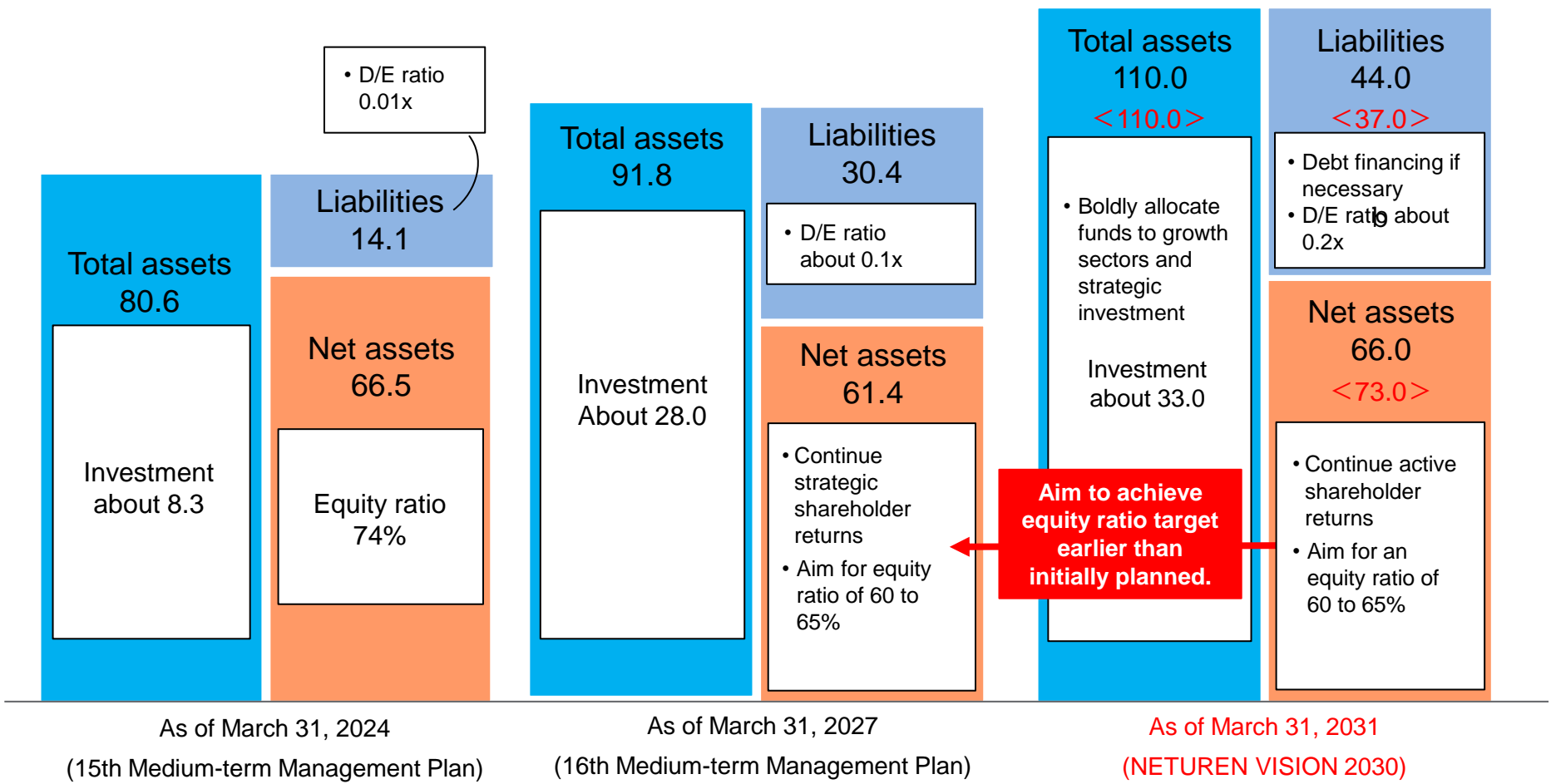
Approx. 3.4 times investment plan compared to 15th Medium-term Management Plan (2021-2023)

* Dividend is set at DOE ratio of 3.0%

3. 16th Medium-term Management Plan | Capital Cost Management | Balance Sheets Target

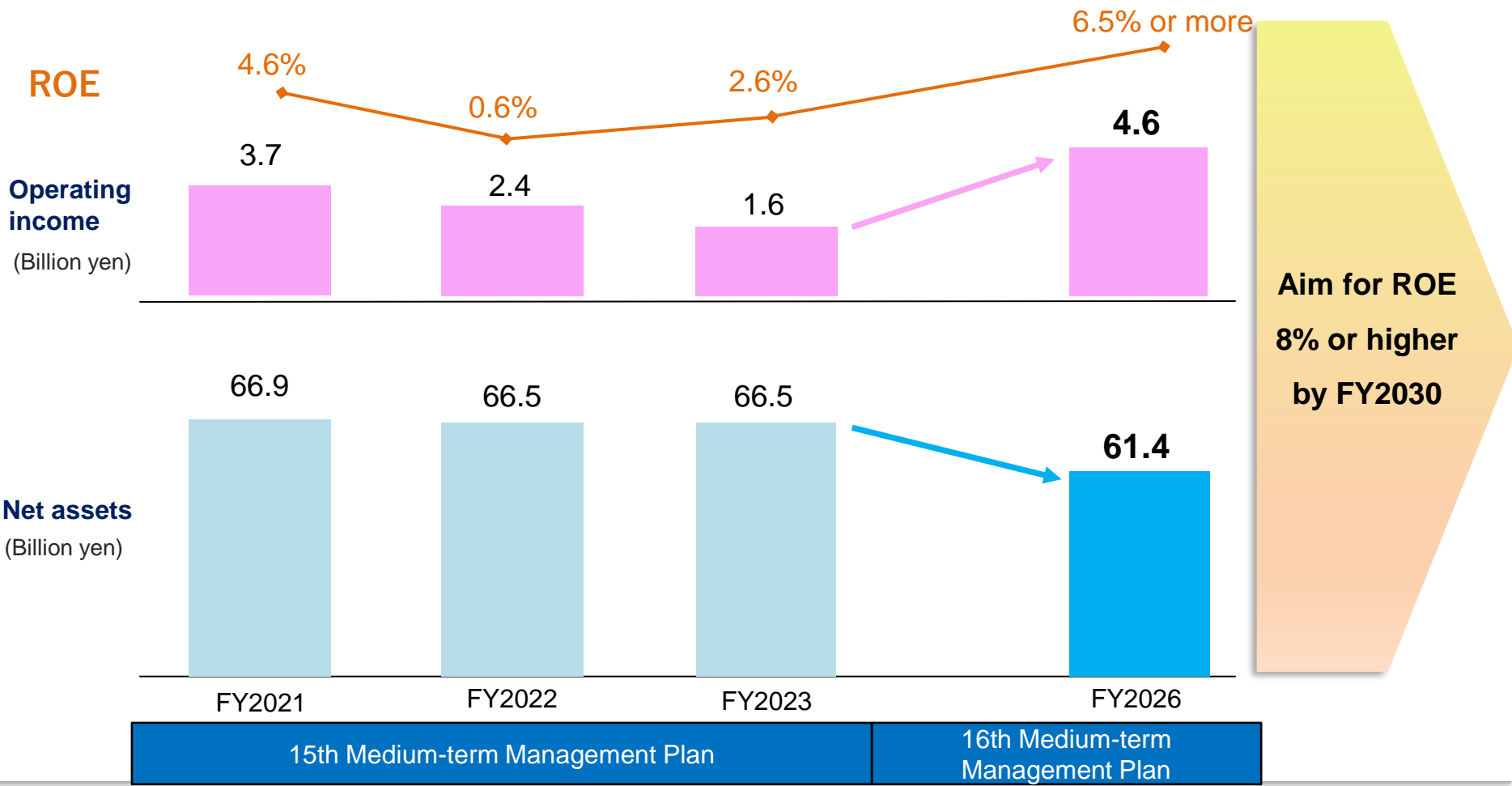
- ✓ Achieve balance sheets target while control net assets and equity by taking into consideration the balance between financial soundness and capital efficiency.
- ✓ Realize equity ratio target earlier than initially planned.

* < >: Initial plan (Billion yen)



3. 16th Medium-term Management Plan | ROE Target

- ✓ Aim for ROE of 8%, defined in NETUREN VISION 2030, while balancing two wheels of business growth strategy and capital policy.

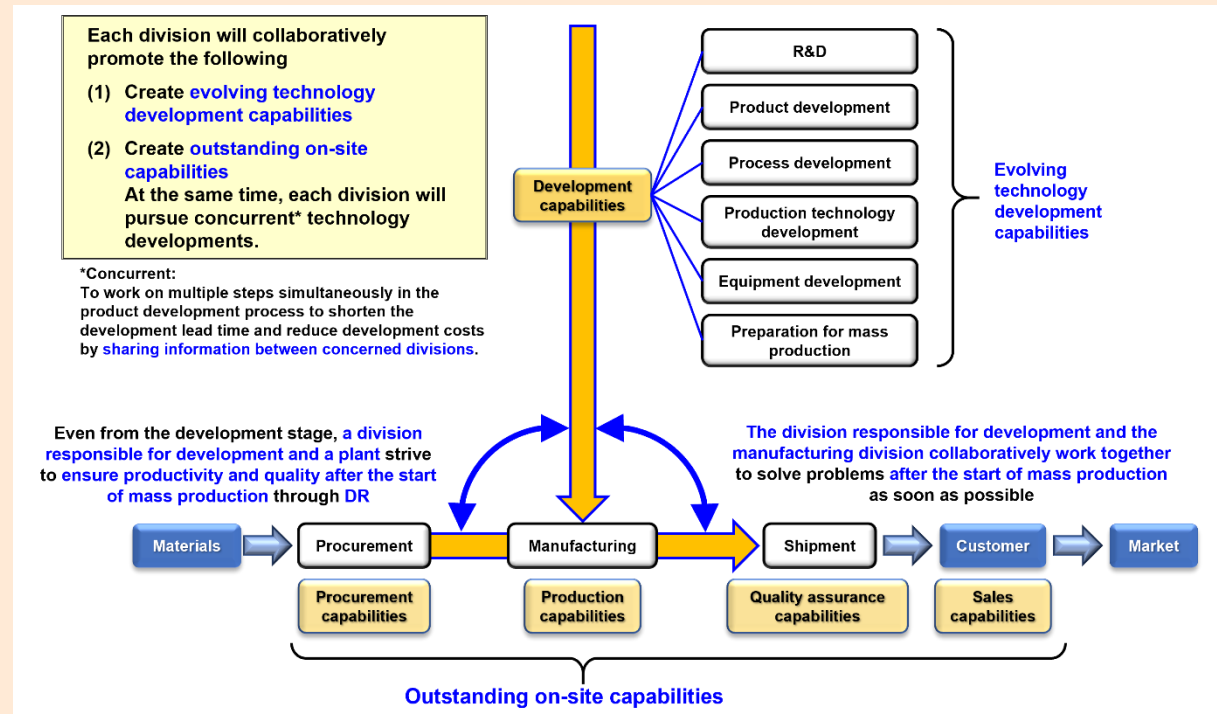


3. 16th Medium-term Management Plan | Technology Development | Create New Drivers to Grow

■ Priority Measures

- Accelerate time-to-market of new products and new technologies currently under development by effectively adopting an “Inverted T-shaped Model”
- Launch new businesses, including through M&A opportunities
- Develop cross-department global businesses
- Enhance competitiveness with various heat treatment technologies and solutions to integrate pre/post processes into heat treatment processes
- Develop production technologies to enable production not depending only on human expertise, leveraging DX and AI

Inverted T-shaped Model



3. 16th Medium-term Management Plan | Business | Generate Growth Engines

■ Priority Measures

Common

- Contribute to mitigating global warming impact with our heating technologies, equipment, and products mainly featuring induction heating (IH) technology with net zero CO₂ emissions
- Establish flexible production at factories to be able to accommodate demand fluctuations
- Introduction of advanced production including automation, robotics, and labor-saving operations

Automobile

Actions to respond to increasing demand for electric vehicles (HEV, PHEV, BEV^(*1))

- Prompt capital investment for larger-diameter ITW[®] ^(*2) production and market release
- Develop technologies and install equipment to realize reinforced and lighter vehicles to capture market needs in advance



ITW[®] (automobile)

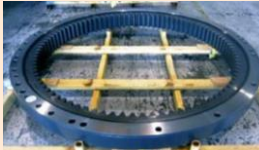
^(*1) HEV: hybrid electric vehicles, PHEV: plug-in hybrid electric vehicles, BEV: battery electric vehicles

^(*2) NETUREN's product name of high-strength spring steel wire treated with high frequency heating

Construction Equipment and Machine Tools

Actions to accommodate market with high demand fluctuation

- Provide high-quality and agile heat treatment services to win customer satisfaction
- Invest to production equipment to establish flexible production to accommodate fluctuations in demand



Slewing bearings
(construction equipment)

3. 16th Medium-term Management Plan | Business | Generate Growth Engines

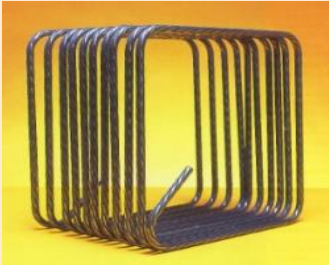
■ Priority Measures

Civil Engineering and Construction

Differentiating products to take advantage in market

- Propose products that are suited for national resilience projects, demands of pre-casting^(*), wind power generation and other applications
- Strengthen product competitiveness through enhanced R&D organization and prompt experiment execution.
- Further promote proposals for design replacement and accelerate development of new applications

^(*) Construction method in which factory pre-manufactured beams and pillars are transported and assembled on-site.

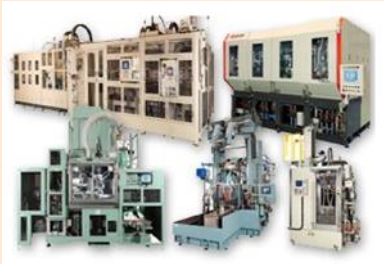


High-strength shear reinforcement
(civil engineering and construction)

Equipment

Differentiations of technologies to competitors to expand market share

- Develop ICT-supported high-speed quenching and tempering equipment through global cooperation, and its market release
- Produce new induction heating coils using 3D printer-based processing technologies and release the products
- Restructure the heating coil production business



High-frequency quenching equipment



Examples of induction heating coils made with 3D printer

3. 16th Medium-term Management Plan | Global | Expand Market Globally

■ Priority Measures

Common

- Examine the possibility of installing new factories according to regional marketing
- Optimize global supply chain by deepened BCP strategies
- Arrange optimum production locations through global market study.



Overseas network: 15 companies, 16 bases in 6 countries

China

- Capture domestic demand for electric vehicles and expand sales of ITW® in the ASEAN region
- Increase profit of ITW® by promoting local procurement of raw materials and ensuring quality
- Significantly accelerate response to customers' requests by localizing development of heat treatment technology

3. 16th Medium-term Management Plan | Global | Expand Market Globally

■ Priority Measures

Asia

- Expand induction heat treatment-related business by enhancing production capacity and integrating pre/post processes into heat treatment processes
- Release new products to equipment market, expand business through global cooperation



Example of enhanced equipment through global cooperation (Indonesia)

Europe

- Promote ITW® across Europe and develop new applications of ITW® including large-diameter ones
- Conduct feasibility study for development of induction heat treatment-related business



Suspension spring for EVs using large-diameter ITW® (wire diameter: 17.2mm)

Standard suspension spring using ITW® (wire diameter: 13.1mm)

North/ Central America

- Develop new customers and new applications for ITW® including large-diameter ones.
- Expand the variety of parts handled by induction heat treatment-related services and start mass production in Mexico
- Restructure to expand heat coil business through global cooperation

3.16th Medium-term Management Plan | Human Resources | Develop Employees with Self-motivation at Work

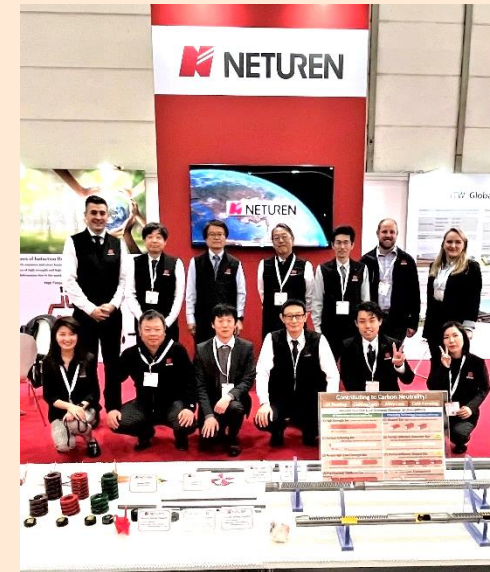
■ Priority Measures

Human Resource Development

- Expand overseas trainee system and enhance international personnel exchange to strengthen our global human resource development
- Maintain skill mapping to develop human resources in a coordinated way
- Install re-skilling system for employees to acquire new and necessary knowledge
- Proactively adopt VR/AR supported learning for deeper understanding of contents of education and trainings
- Convince the VISION and the Medium-term Management Plan of the company to employees, then make them define individual and team targets to nurture their self-motivation at work

Improvement of Systems and Workplace Environment

- Discuss introduction of new personnel and compensation system to evaluate each employee's performance more accurately and respond flexibly to individual requirements
- Continue to improve rules and the workplace environment to support work-life balance
- Create workplace environment where diverse group of people can work comfortably



Example of international personnel exchange (Int'l wire industry exhibition)

3. 16th Medium-term Management Plan | Sustainability Management

■ Priority Measures

Coexistence with the Global Environment

- **Contribute to mitigation of global warming by promoting the advantage of IH (Induction heating) using heat treatment technology**
- **Reduce various kinds of activities to reduce CO₂ emissions across the NETUREN Group and expand them to Scope 3**
- **Disclose the status timely through TCFD (*)**

(*) TCFD: Task Force on Climate-related Financial Disclosures

Contribute to Establishment of Sustainable Society

- **Contribute to the development of seismic-resistant towns and infrastructure with widespread application of our high-strength products**
- **Enhance risk management taking geopolitical risks into consideration**

Recognition of Our Social Mission

- **Support recovery efforts in conflict and disaster affected areas, and promote sports and volunteer activities in local communities**
- **Engage in academic and research-related activities**



3. 16th Medium-term Management Plan | Sustainability Management

■ Priority Measures

Being a Trusted Partner

- Win customer satisfaction by advanced technologies, high quality products and services
- Establish a corporate structure which accommodates future social needs, including development of products and services, robust supply chains

17 PARTNERSHIPS FOR THE GOALS



Cooperation with Stakeholders

- Release accurate information to stakeholders constantly and timely for deeper understanding of quality of our work (through briefing sessions, factory tours, integrated reports, and the company website)
- Plan various events to mark the coming 80th anniversary of NETUREN in May 2026

17 PARTNERSHIPS FOR THE GOALS



Aim to be Active Corporate Group

- Conduct anti-seismic reinforcement and maintenance of aged infrastructure of factories, enhance health of employees and safety workspace, aiming to establish secured working environment

8 DECENT WORK AND ECONOMIC GROWTH



3 GOOD HEALTH AND WELL-BEING



4. Poster



16th Medium-term
Management Plan





Neturen Co., Ltd.

The Company's
Website



Integrated Report



Note: Forward-looking statements contained in this document are based on judgments made in accordance with information currently available and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.

- I . [Section 1] Overview of Financial Results for the Fiscal Year Ended March 31, 2024
- II. [Section 2] 16th Medium-term Management Plan
- III. Appendix**



Company Overview

Neturen is the pioneer company that successfully commercialized and industrialized IH (induction heating) technology for the first time in Japan in 1946. With the **IH (induction heating) technology accumulated since its inauguration as the core of its business**, Neturen engages in the **metal products' manufacture and related services, and equipment sales**.

Trade Name	Neturen Co., Ltd.
Address	Oval Court Ohsaki Mark West, 2-17-1 Higashi-Gotanda, Shinagawa-ku, Tokyo
Date of Establishment	May 15, 1946 (With current company name)
Capital	¥6,418 million
Net sales (FY2023)	Consolidated: ¥57,205 million Independent: ¥32,599 million
Number of Employees (As of Mar. 31, 2024)	Consolidated: 1,627 Independent: 898
Stock Exchange Listing	Prime Market of the Tokyo Stock Exchange Security code: 5976



Katsumi Omiya

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

Domestic and Overseas Network

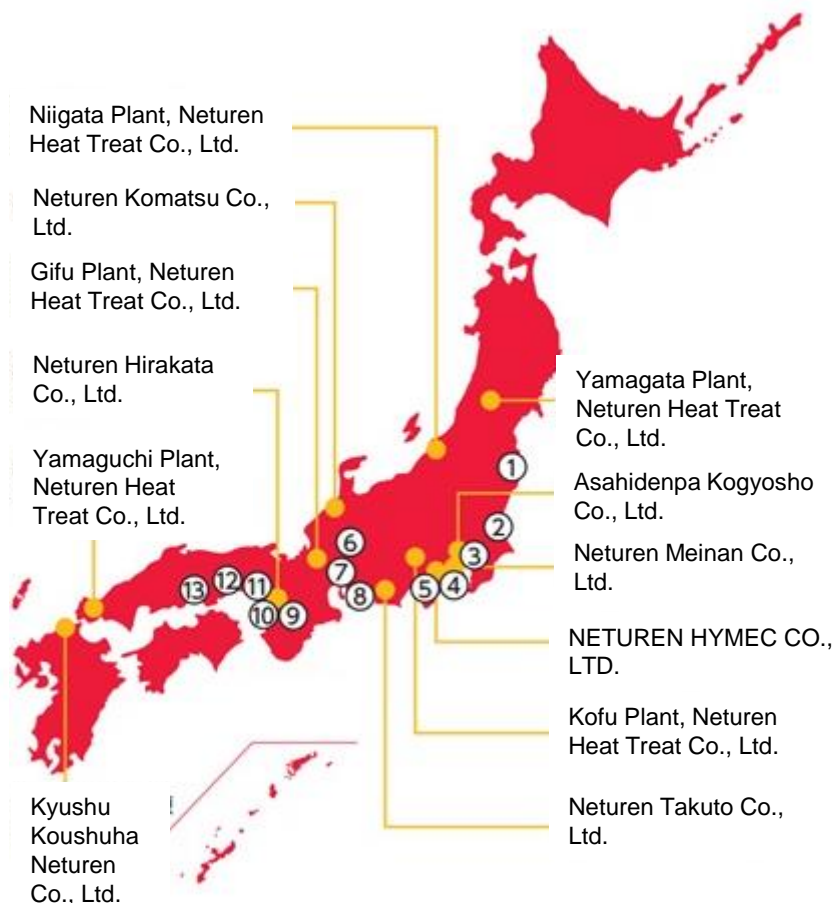
9 companies, 25 bases in Japan

15 companies, 16 bases in 6 countries overseas

(US, China, Czech Republic, Indonesia, Korea, Mexico)

(As of December 31, 2023)

(1) Iwaki Plant (2) Ibaraki Plant (3) Head Office (4) Human Resource Training Center (5) Shonan Office / Hiratsuka Plant (6) Kani Plant / Kani NH Plant (7) Nagoya Plant (8) Kariya Plant (9) Osaka Sales Office, Specialty Steel & Wire Products Division (10) Amagasaki Plant (11) Kobe Plant (12) Ako Plant (13) Okayama Plant



Business Segments

【Specialty Steel and Wire Products Division】

High-strength
steel material
products

Automobiles



Construction



Civil engineering



Hollow rack bars (automobiles)



Slewing bearings
(construction equipment)



Inner tubes (two-
wheeled vehicles)



Integrated processed products

【Induction Heating Division】

Automobiles



Induction heat
treatment-
related services

Construction
equipment

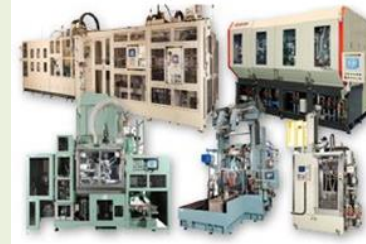


Industrial /
machine tools



**Induction
Heating
Technology**

High-frequency
quenching equipment



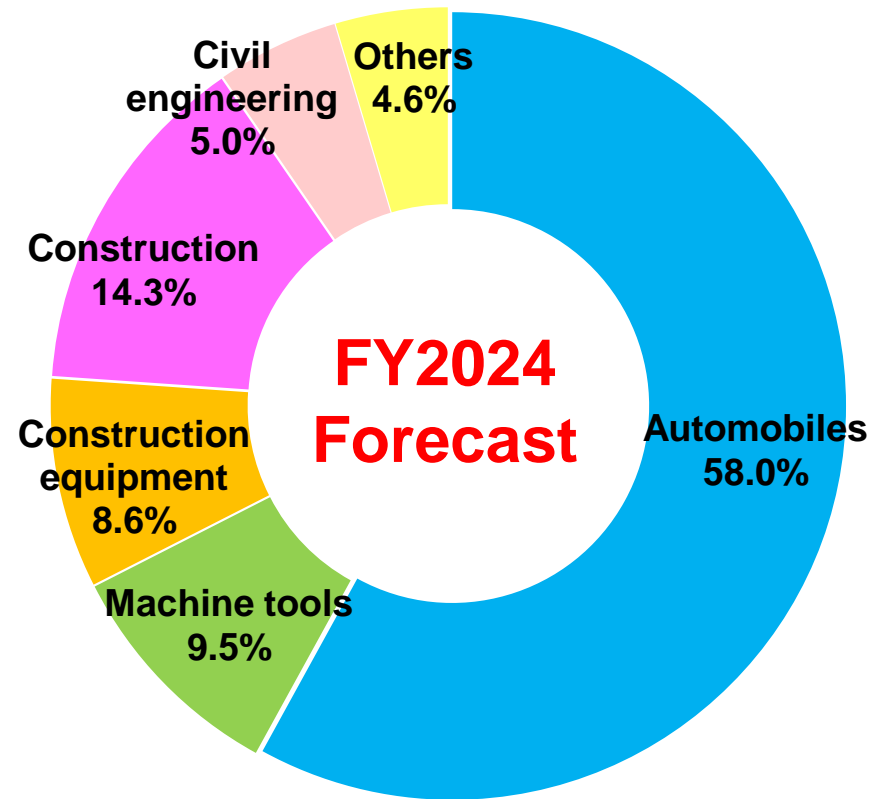
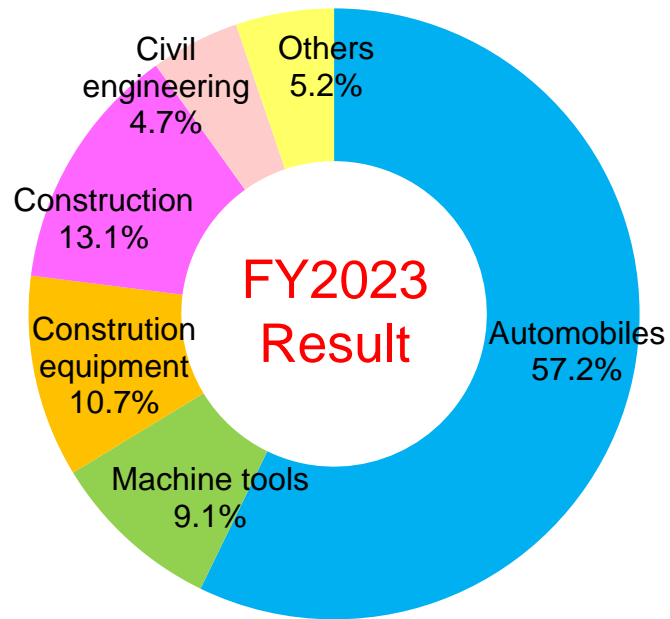
High-frequency
power supplies



Induction heating equipment

【Others】 Leasing business, others

Net Sales Ratios by Industry



FY2023 Cash Flows (Consolidated)

- Operating cash flows: Increased YoY mainly due to an increase in trade payables
 - Investing cash flows: Decreased YoY mainly due to an increase in purchase of non-current assets, despite proceeds from sales of investment securities
 - Financing cash flows: Decreased YoY mainly due to purchase of own shares and dividends paid
- (Million yen)

Item		FY2022	FY2023	Change
	Profit before income taxes	1,279	2,645	1,366
	Depreciation	2,705	2,377	(328)
	Impairment loss	1,852	—	(1,852)
	Decrease (increase) in trade receivables	888	(1,617)	(2,505)
	Increase (decrease) in trade payables	(13)	745	758
	Other, net	(2,823)	41	2,865
	Cash flows from operating activities	3,888	4,193	304
	Cash flows from investing activities	(1,203)	(1,647)	(443)
	Free cash flows	2,685	2,546	(138)
	Borrowings	(775)	(755)	19
	Purchase of treasury shares	(1,500)	(1,500)	(0)
	Dividends paid	(1,254)	(1,447)	(193)
	Other, net	(755)	(1,376)	(620)
	Cash flows from financing activities	(4,286)	(5,080)	(793)
	Cash flows at end of period	16,911	14,810	(2,100)

ROE / ROA

- In FY2023, ROE was 2.6% and ROA was 3.1% (ROIC was 2.6%).

