

Financial Results Briefing for the Six Months Ended September 30, 2024

November 26, 2024



Neturen Co., Ltd.



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- I. Overview of Financial Results for the Six Months Ended September 30, 2024**
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1. Overview of Consolidated Financial Results for the Six Months Ended September 30, 2024

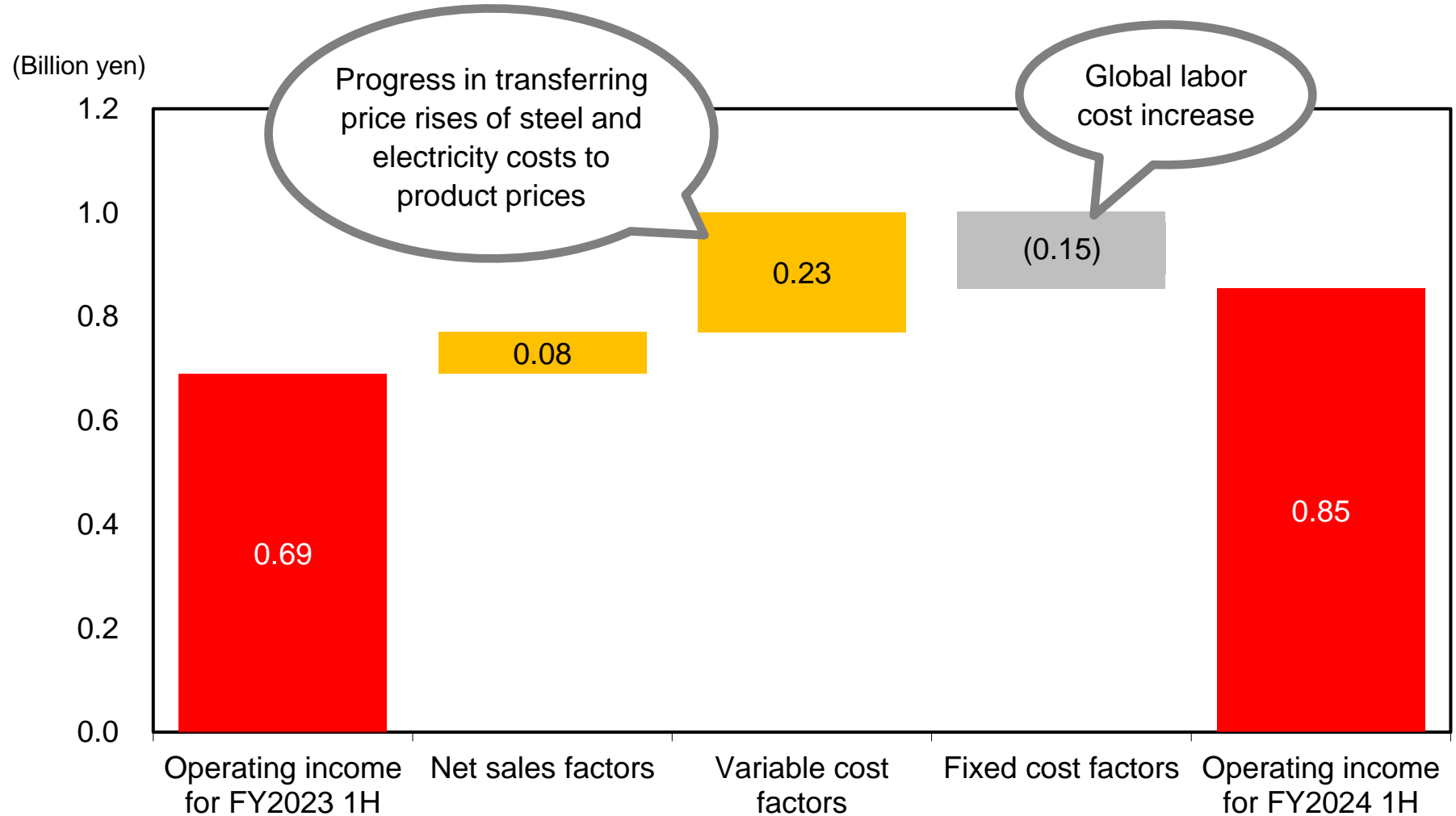
- Net sales : Increased by 2.5% YoY due to the impact of yen depreciation, etc. and a recovering trend in orders from the automobile industry, despite decreased orders from the construction equipment and machine tools industries
- Operating income : Increased by 23.8% YoY due to increased sales after the revision of sales prices
- Ordinary Income : Decreased by 2.3% YoY due to foreign exchange losses of ¥25 million recorded in non-operating expenses (foreign exchange gains of ¥92 million recorded in the same period of the previous fiscal year)
- Profit attributable to owners of parent : Decreased by 9.4% YoY

(Million yen)

	FY2023 1H	FY2024 1H	Change	Change (%)
Net sales	28,302	29,002	700	2.5%
Operating income	690	854	164	23.8%
Ordinary income	1,182	1,154	(27)	(2.3)%
Profit attributable to owners of parent	678	615	(63)	(9.4)%

2. Factors for Changes in Consolidated Operating Income

- Profit increased regarding net sales and variable cost factors
- Profit decreased regarding fixed cost factors



3. Segment Information (Consolidated Net Sales)

- Specialty Steel and Wire Products Division:

Civil engineering industry: Industry in general continued to be sluggish

Construction industry: Projects in which our products were adopted turned upward

Construction equipment industry: Market stagnation remained

Automobile industry: Despite the concern over the downturn of the economies in China and the United States, a recovery in domestic production and the yen depreciation contributed to an increase in net sales
- Induction Heating Division:

Induction heat treatment-related services: Net sales for the automobile industry remained in a recovering trend
Net sales for the construction equipment and machine tools industries were weak

Induction heating equipment: Orders received steadily increased

(Million yen)

Business segment	Main products/services	FY2023 1H	FY2024 1H	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)	18,394	18,609	214	1.2%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	9,837	10,322	485	4.9%
Others	Leasing business Others	70	71	0	1.4%
Total		28,302	29,002	700	2.5%

4. Segment Information (Consolidated Operating Income)

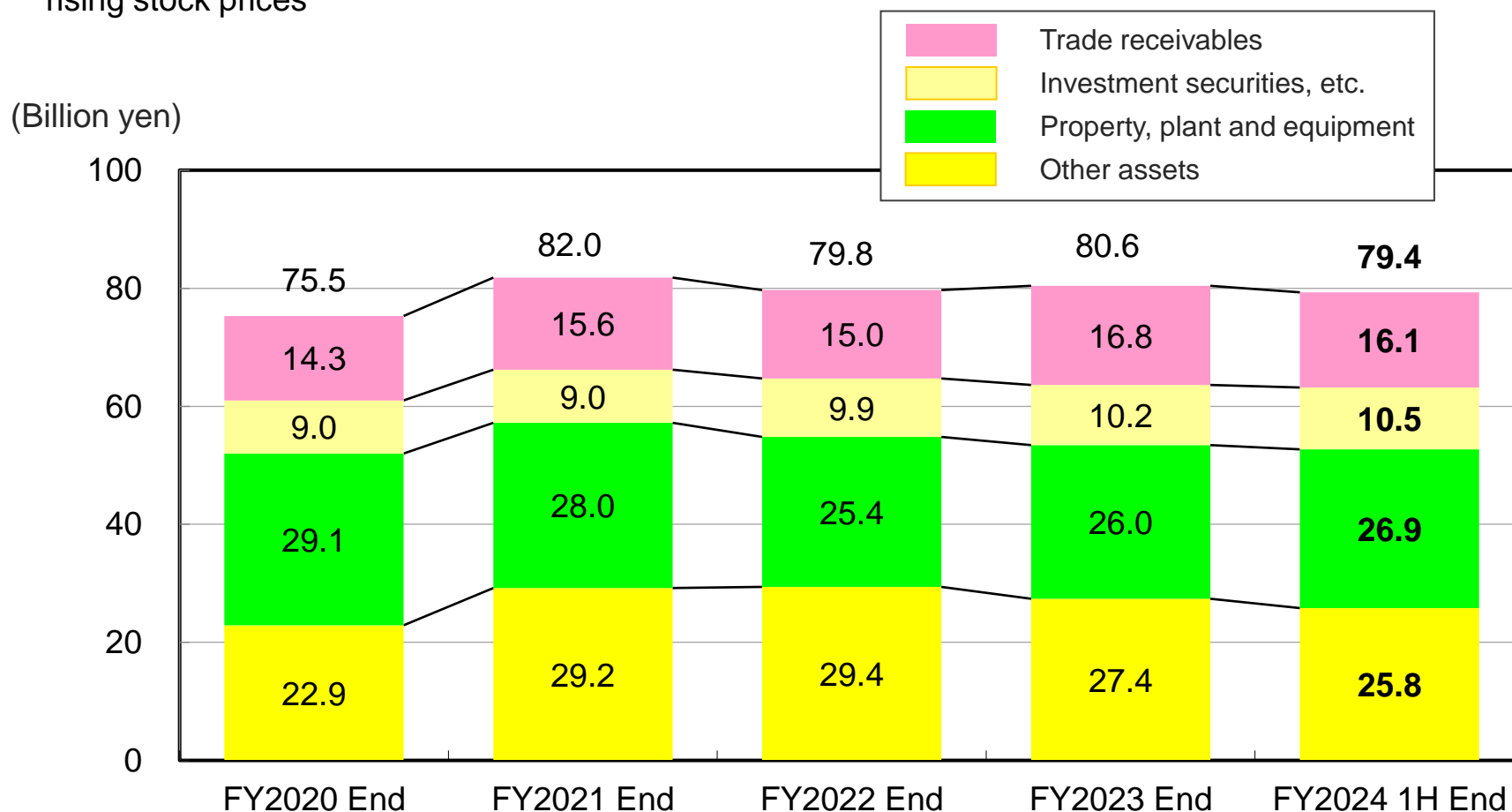
- Specialty Steel and Wire Products Division:
 - Sales for construction equipment remained weak
 - Sales for the construction industry gradually increased after the revision of sales prices
 - Sales increased for all products after the revision of sales prices
- Induction Heating Division:
 - Induction heat treatment-related services:
 - The revision of sales prices and cost reduction were effective in the automobile industry
 - The number of orders from the construction equipment and machine tools industries decreased
 - Induction heating equipment:
 - Sales remained steady

(Million yen)

Business segment	Main products/services	FY2023 1H	FY2024 1H	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)	86	148	61	71.7%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	572	676	103	18.1%
Others	Leasing business Others	29	27	(1)	(5.5)%
Elimination of intersegment transactions		2	1	(0)	(8.0)%
Total		690	854	164	23.8%

5. Balance of Assets (Consolidated)

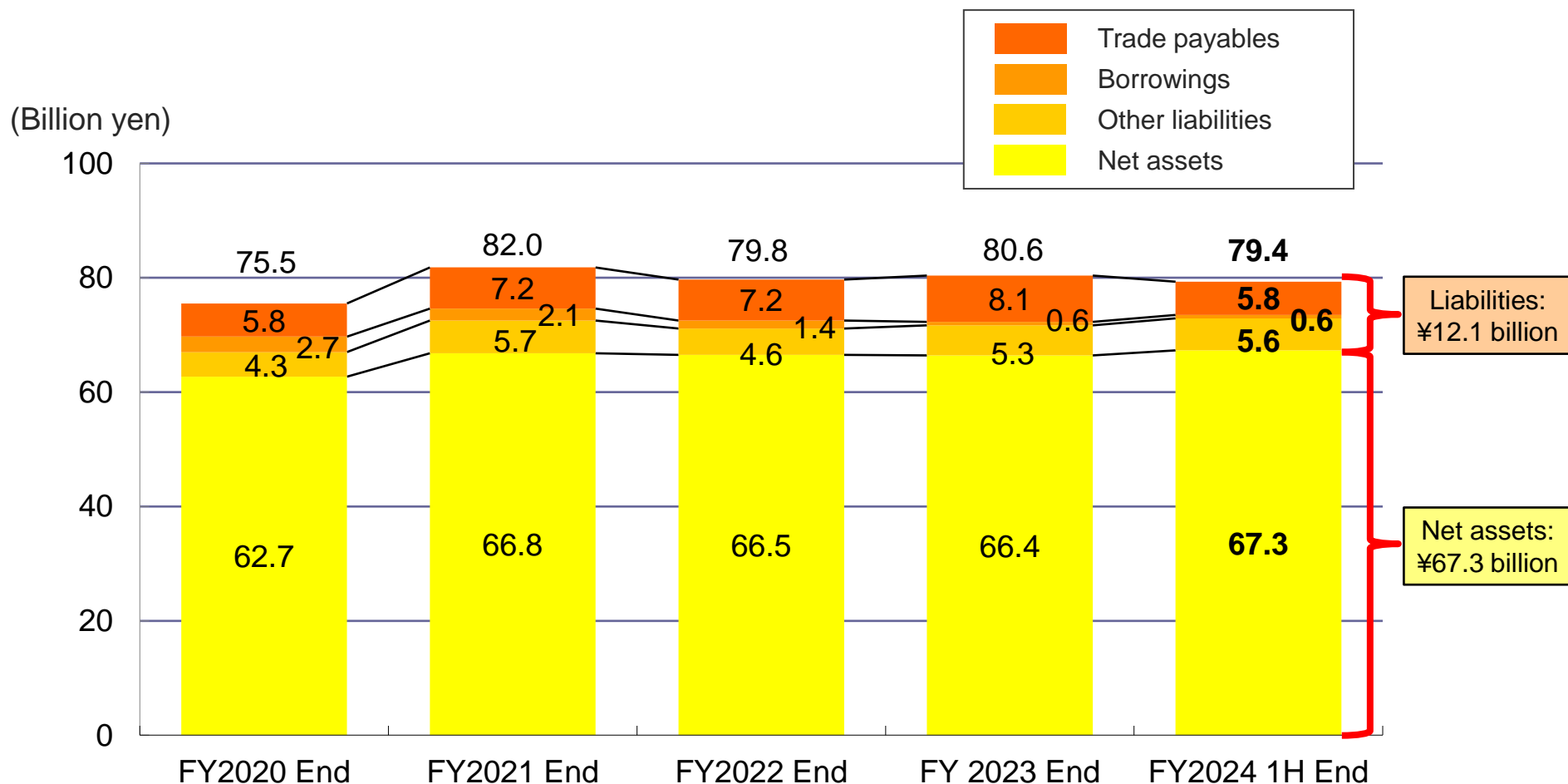
- Total assets decreased by ¥1.2 billion compared to the end of the previous fiscal year due to a decrease in cash and deposits as a result of purchase of treasury shares and dividends paid
- The number of stocks held as part of “cross-shareholdings” included in investment securities, etc. has declined every year and decreased 63.3% compared to FY2019; however, the valuation increased due to the rising stock prices



* “Other assets” mainly includes “cash and deposits” and “inventories.”

6. Balance of Liabilities and Net Assets (Consolidated)

- Liabilities: Decreased ¥2.0 billion compared to the end of the previous fiscal year due to a decrease in trade payables
- Net assets: Increased ¥0.9 billion compared to the end of the previous fiscal year due to a significant increase in foreign currency translation adjustment due to the yen depreciation, despite aggressive purchase of treasury shares



7. Cash Flows (Consolidated)

- Operating cash flows: Decreased YoY mainly due to a decrease in trade payables, despite a decrease in trade receivables
- Investing cash flows: Slightly increased YoY mainly due to purchase of property, plant and equipment
- Financing cash flows: Increased YoY due to a decrease in repayments of borrowings, despite purchase of treasury shares and dividends paid

(Million yen)

Item	FY2023 1H	FY2024 1H	Change
Profit before income taxes	1,208	1,180	(27)
Depreciation	1,160	1,154	(6)
Decrease (increase) in trade receivables	(649)	1,163	1,813
Decrease (increase) in trade payables	543	(2,460)	(3,003)
Other, net	(99)	(684)	(584)
Cash flows from operating activities	2,164	354	(1,809)
Cash flows from investing activities	(1,362)	(1,300)	62
Free cash flows	801	(945)	(1,746)
Borrowings	(708)	(5)	703
Purchase of treasury shares	(952)	(1,106)	(153)
Dividends paid	(565)	(905)	(339)
Other, net	(1,116)	(492)	624
Cash flows from financing activities	(3,344)	(2,509)	834
Cash flows at end of period	14,904	11,811	(3,092)

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September 30, 2024

II. Trends in Business Results

III. Progress of 16th Medium-term Management Plan

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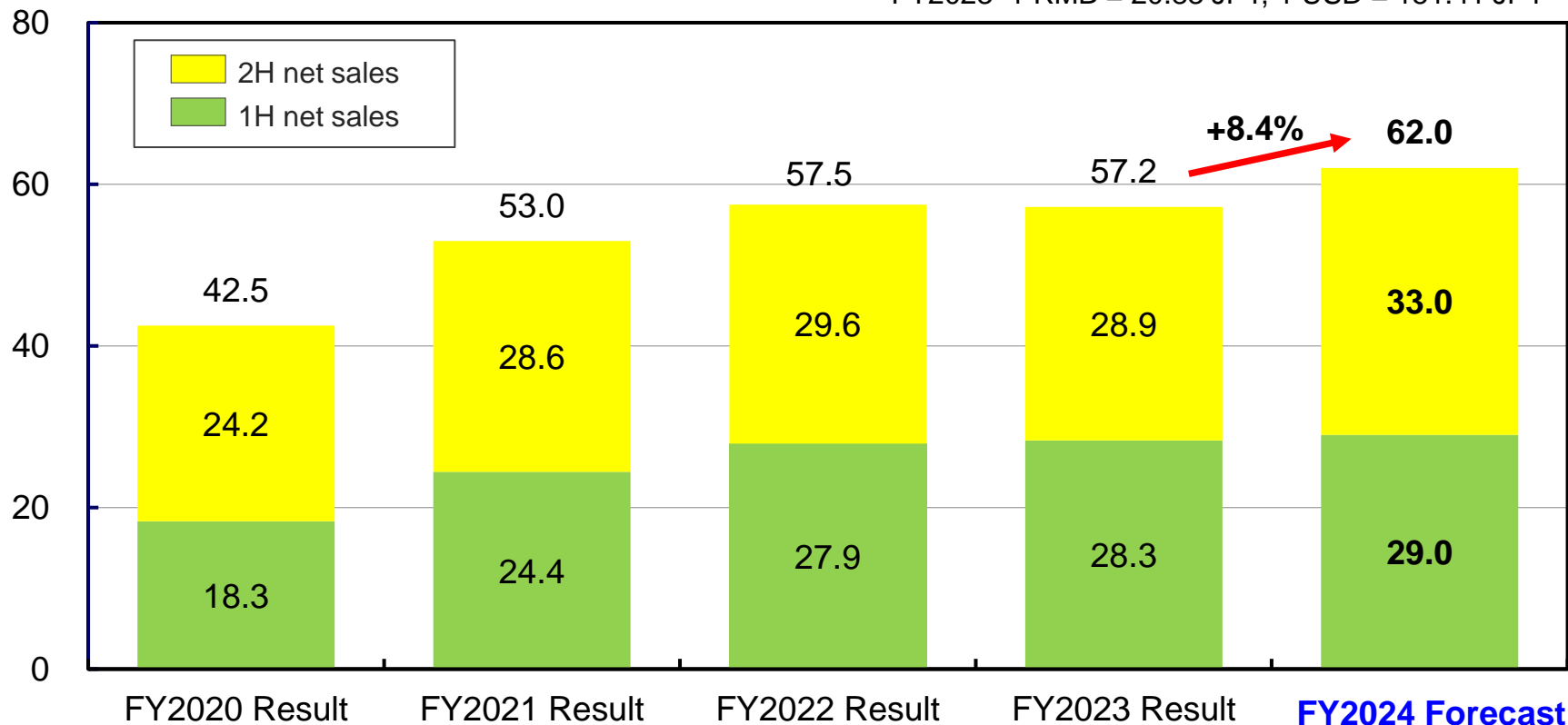
8. Consolidated Net Sales

- Net sales from the automobile and construction industries are forecast to increase steadily
- Net sales are forecast to increase to ¥62.0 billion, as in the initial plan, due to the progress of the revision of sales prices

[Exchange rates]

- FY2024 1 RMB = 20.46 JPY, 1 USD = 142.73 JPY
- FY2023 1 RMB = 20.83 JPY, 1 USD = 151.41 JPY

(Billion yen)

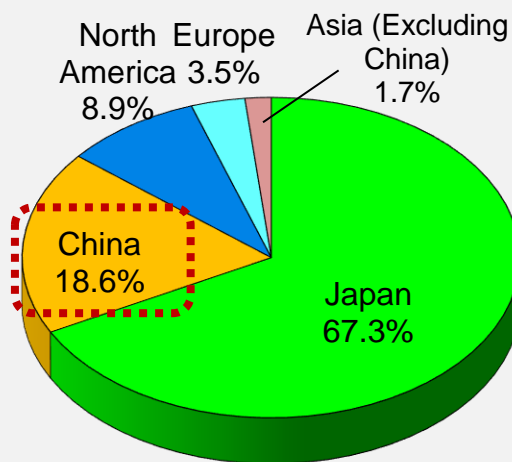


14th Medium-term Management Plan	15th Medium-term Management Plan	16th Medium-term Management Plan
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9. Net Sales Ratio by Region

- Net sales in China are forecast to decrease, affected by the economic slowdown there
- The overseas net sales ratio is forecast to slightly decrease YoY to 36.1%

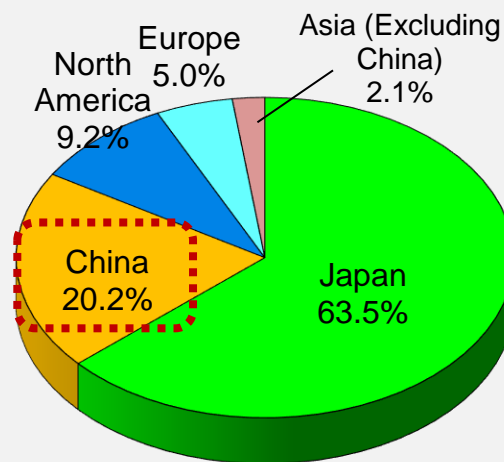
FY2022 Result



Overseas net sales ratio:

32.7%

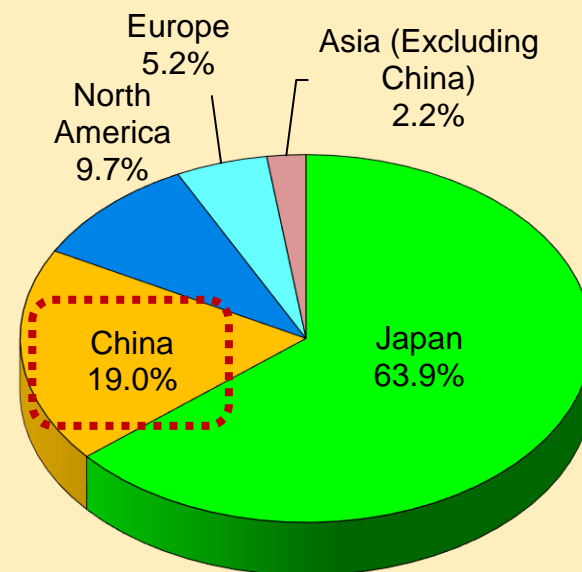
FY2023 Result



Overseas net sales ratio:

36.5%

FY2024 Forecast

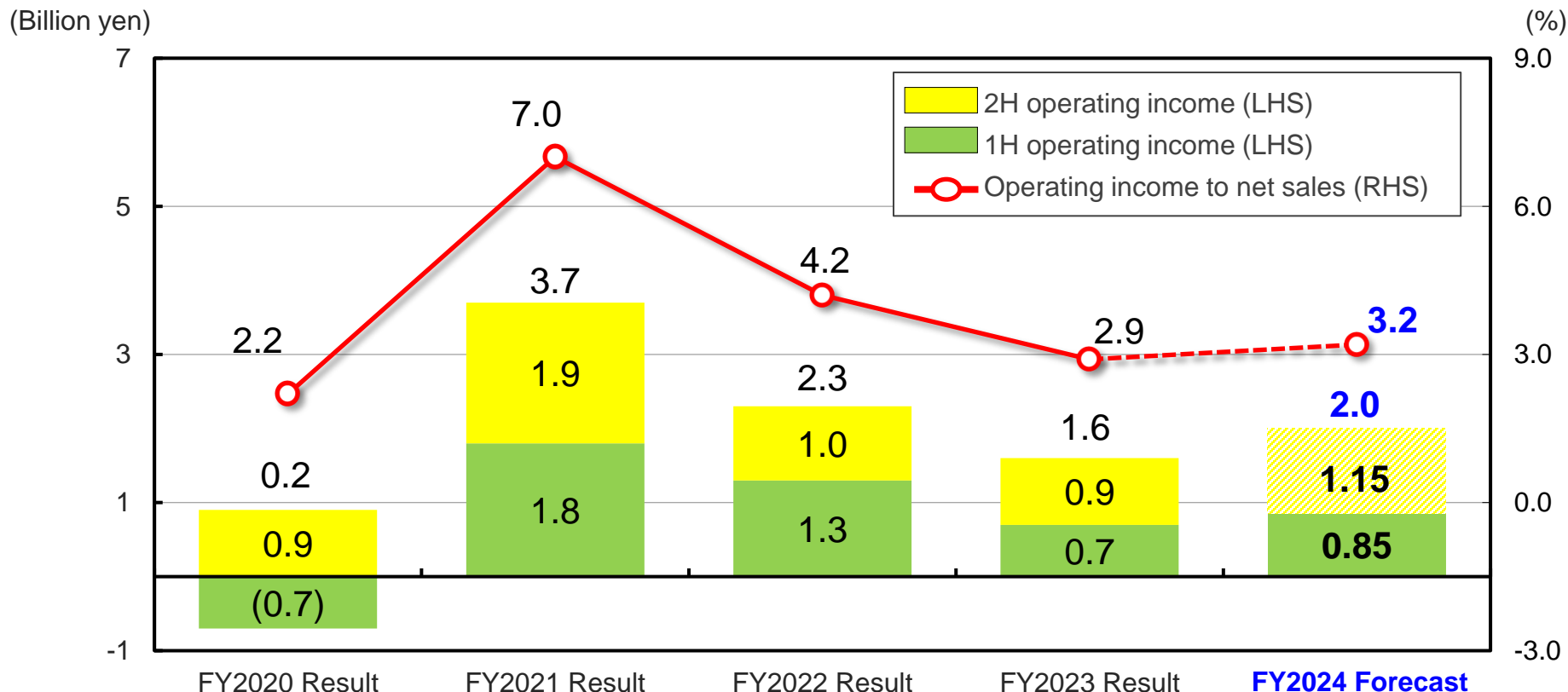


Overseas net sales ratio:

36.1%

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

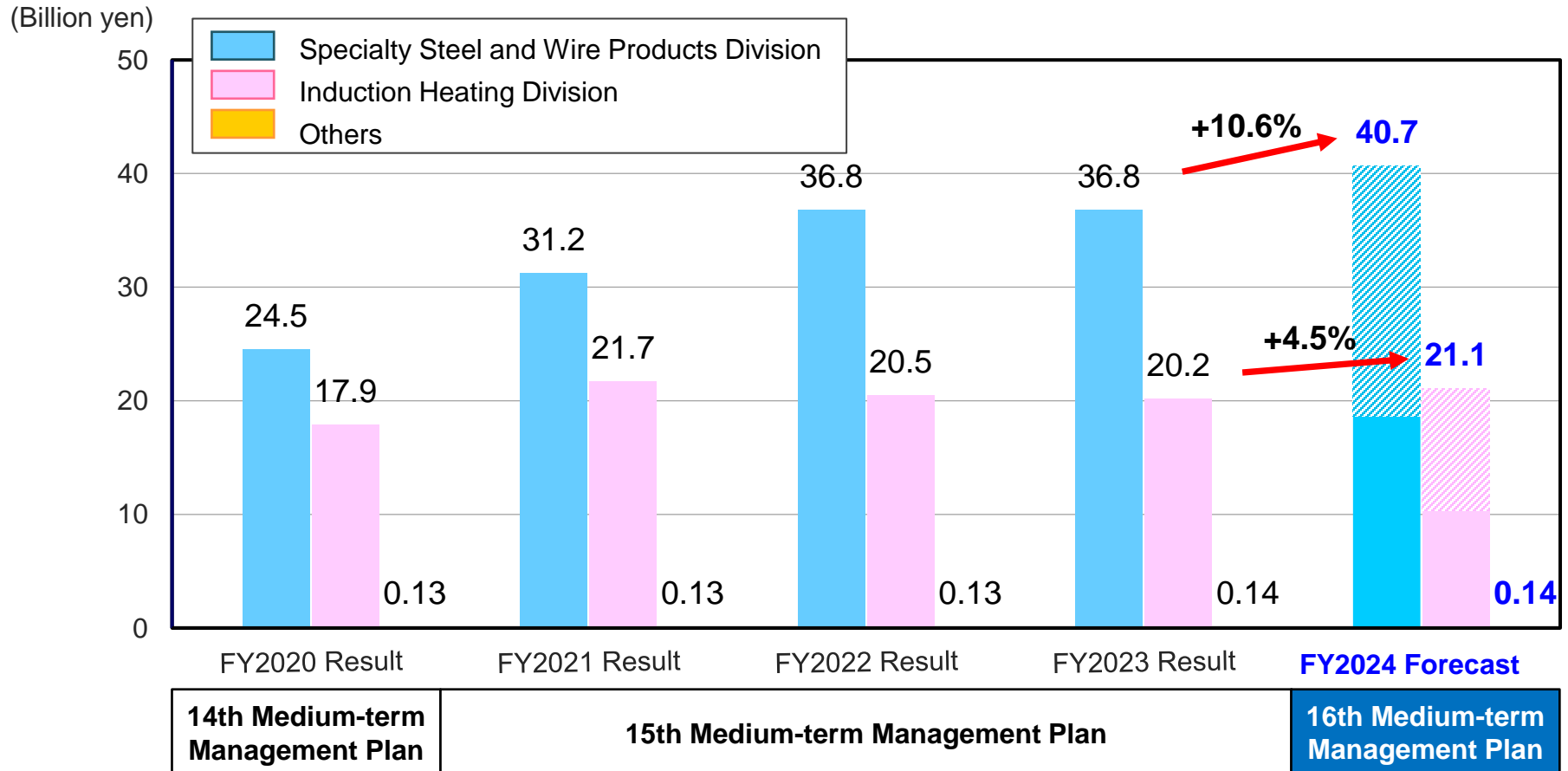
- A further increase in sales is expected in 2H for construction industry-related products with revised prices
- Operating income is forecast to be ¥2.0 billion, as in the initial plan, mainly due to progress in the revision of sales prices, cost reduction effect



14th Medium-term Management Plan	15th Medium-term Management Plan	16th Medium-term Management Plan
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11. Segment Information (Consolidated Net Sales)

- Specialty Steel and Wire Products Division:** Sales of ITW® remained steady and net sales for the construction industry increased after the revision of sales prices
 Net sales are forecast to increase as in the initial plan
- Induction Heating Division:** Net sales from the construction equipment and machine tools industries for induction heat treatment-related services remained weak
 Net sales from the automobile industry steadily increased and net sales for equipment-related products increased.
 Net sales are forecast to increase as in the initial plan



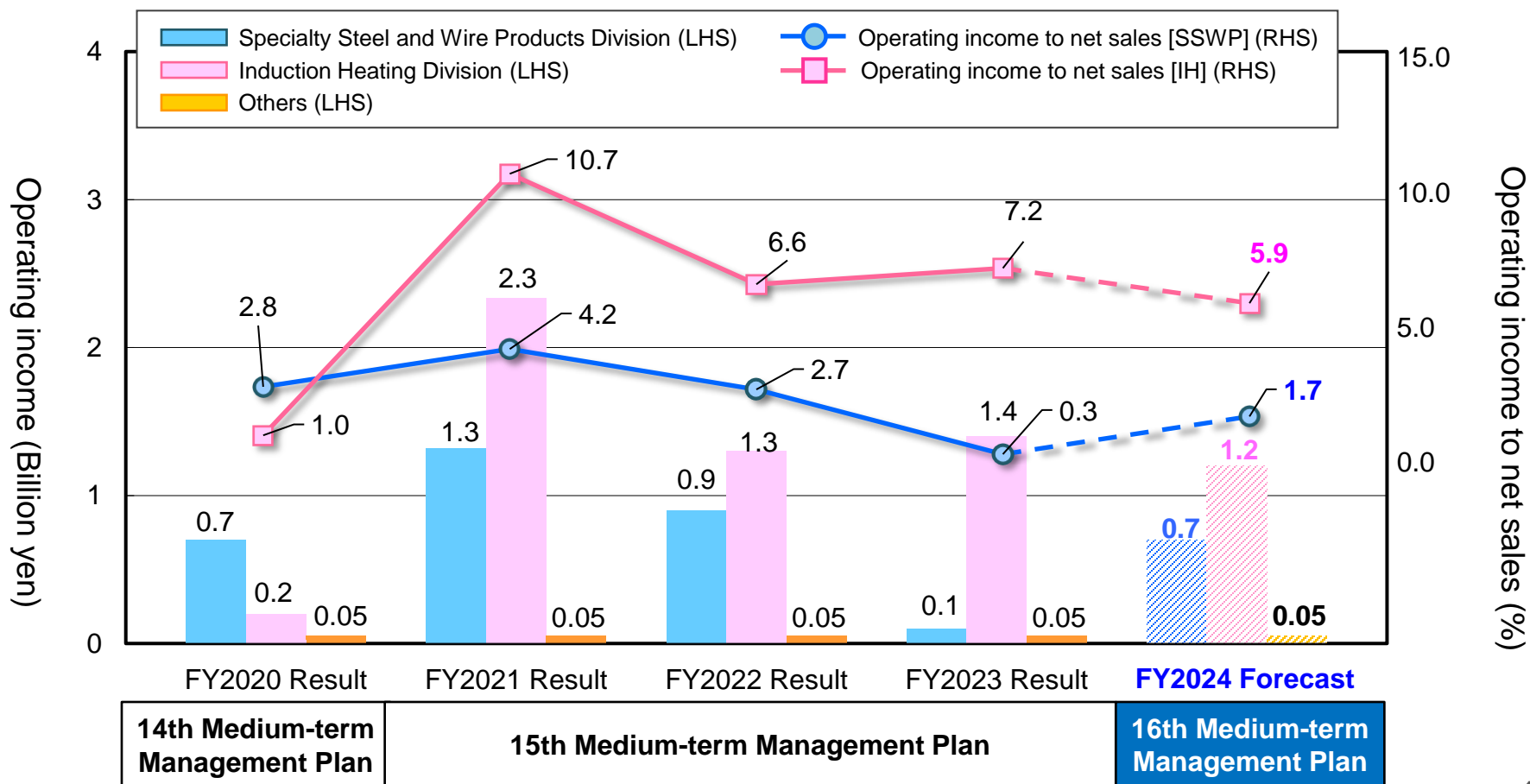
12. Segment Information (Operating Income / Operating Income to Net Sales)

- Specialty Steel and Wire Products Division:

Sales from the construction industry further increased after the revision of sales prices and those of ITW® also remained steady
 Profits are forecast to decrease by ¥0.2 billion compared to the initial plan due to a failure in offsetting a decrease in sales from the construction equipment industry

- Induction Heating Division:

Sales from the construction equipment and machine tools industries for induction heat treatment-related services remained weak
 Sales for induction heat treatment-related services and equipment for automobiles remained strong
 Profits are forecast to increase by ¥0.2 billion compared to the initial plan mainly due to the effect of the revision of sales prices and cost reduction



14th Medium-term Management Plan

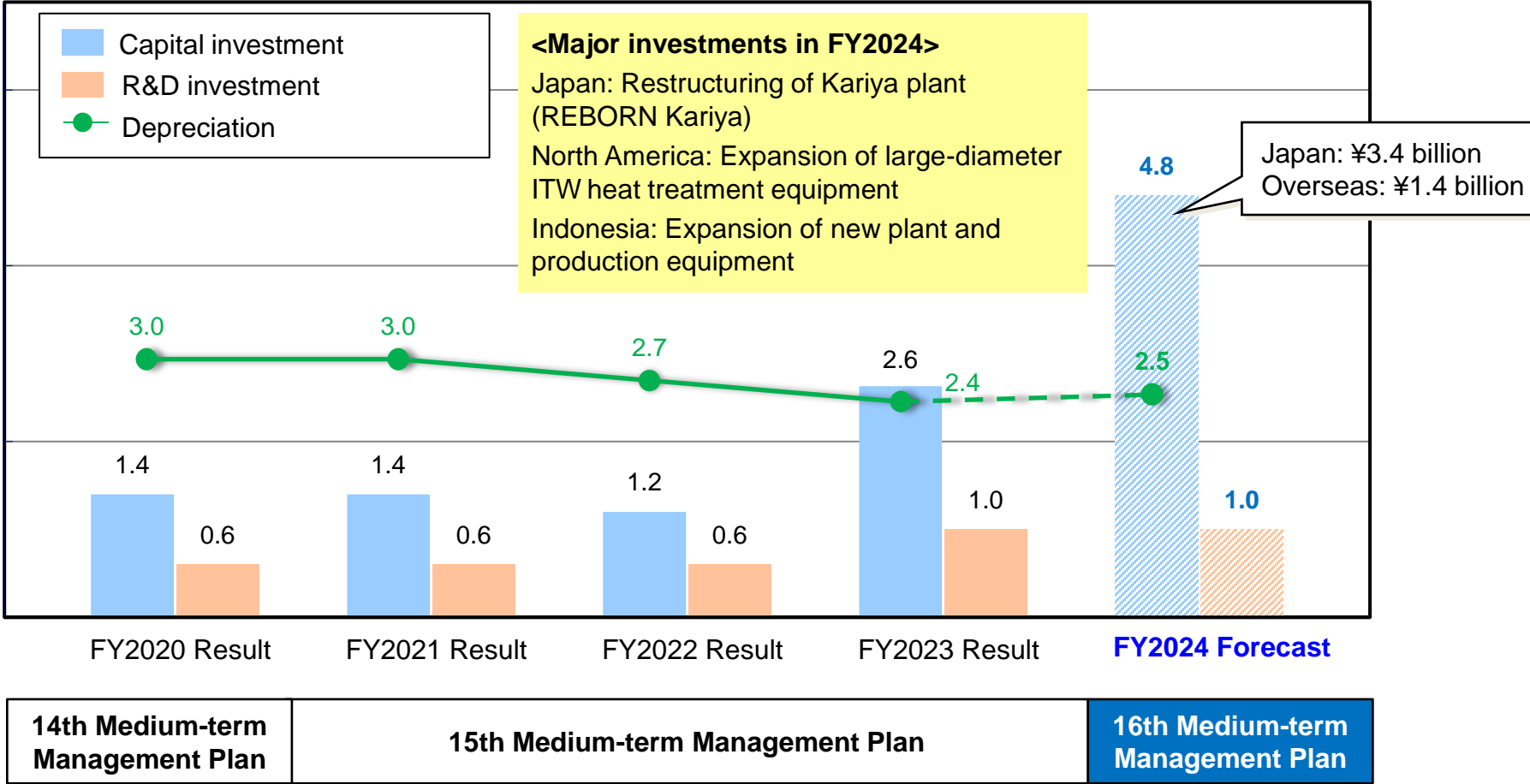
15th Medium-term Management Plan

16th Medium-term Management Plan

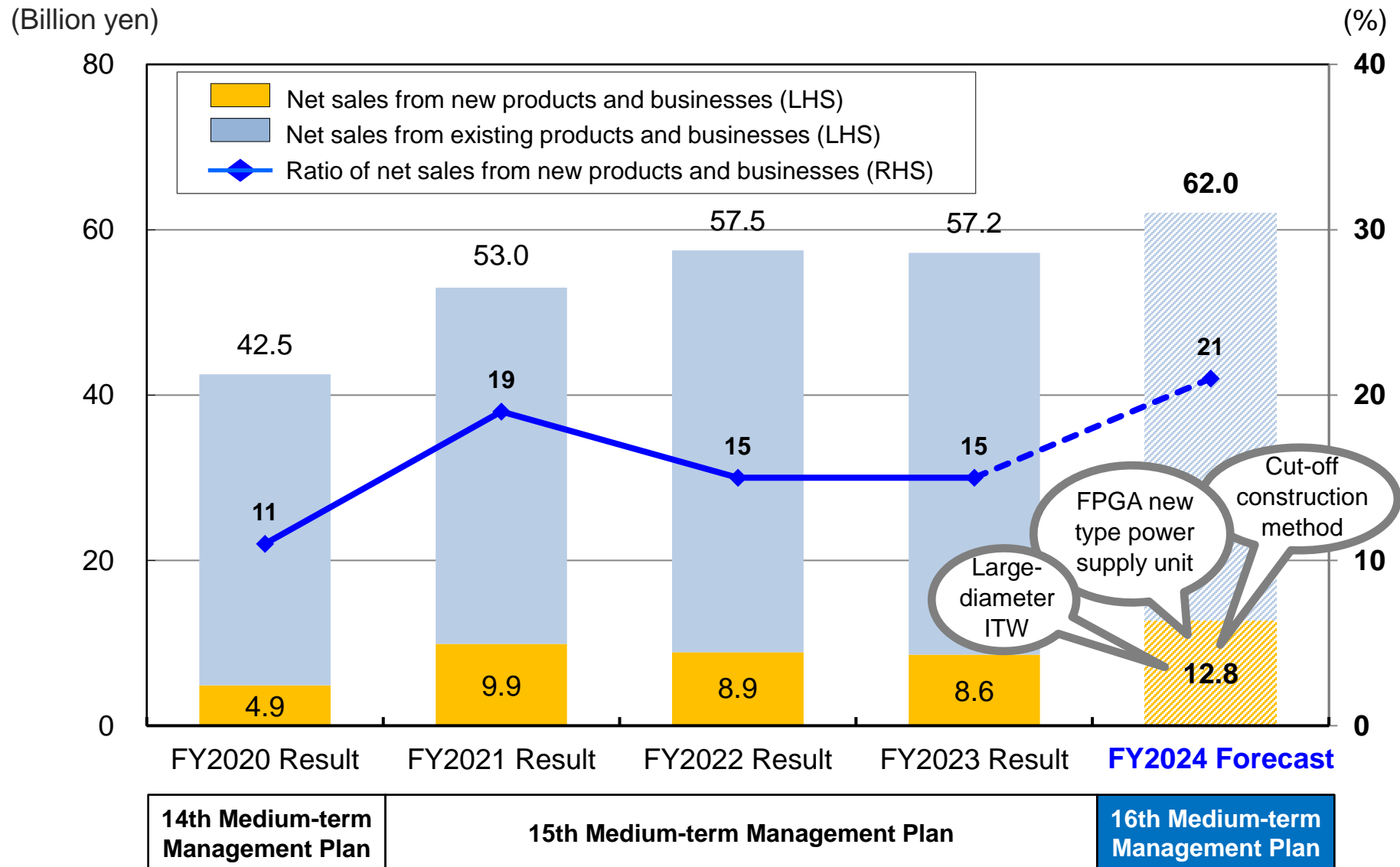
13. Capital Investment / R&D Investment / Depreciation

- **Capital investment:** An aggressive capital investment has been planned based on the growth strategy of business portfolio. On the other hand, approximately ¥1.0 billion will be carried over to the next fiscal year, mainly for large projects in China.
- **R&D investment:** Efforts have been strengthened to create new growth drivers. The development pace will be accelerated by introducing testing equipment, etc., aiming for fast market entry of projects under development.

(Billion yen)



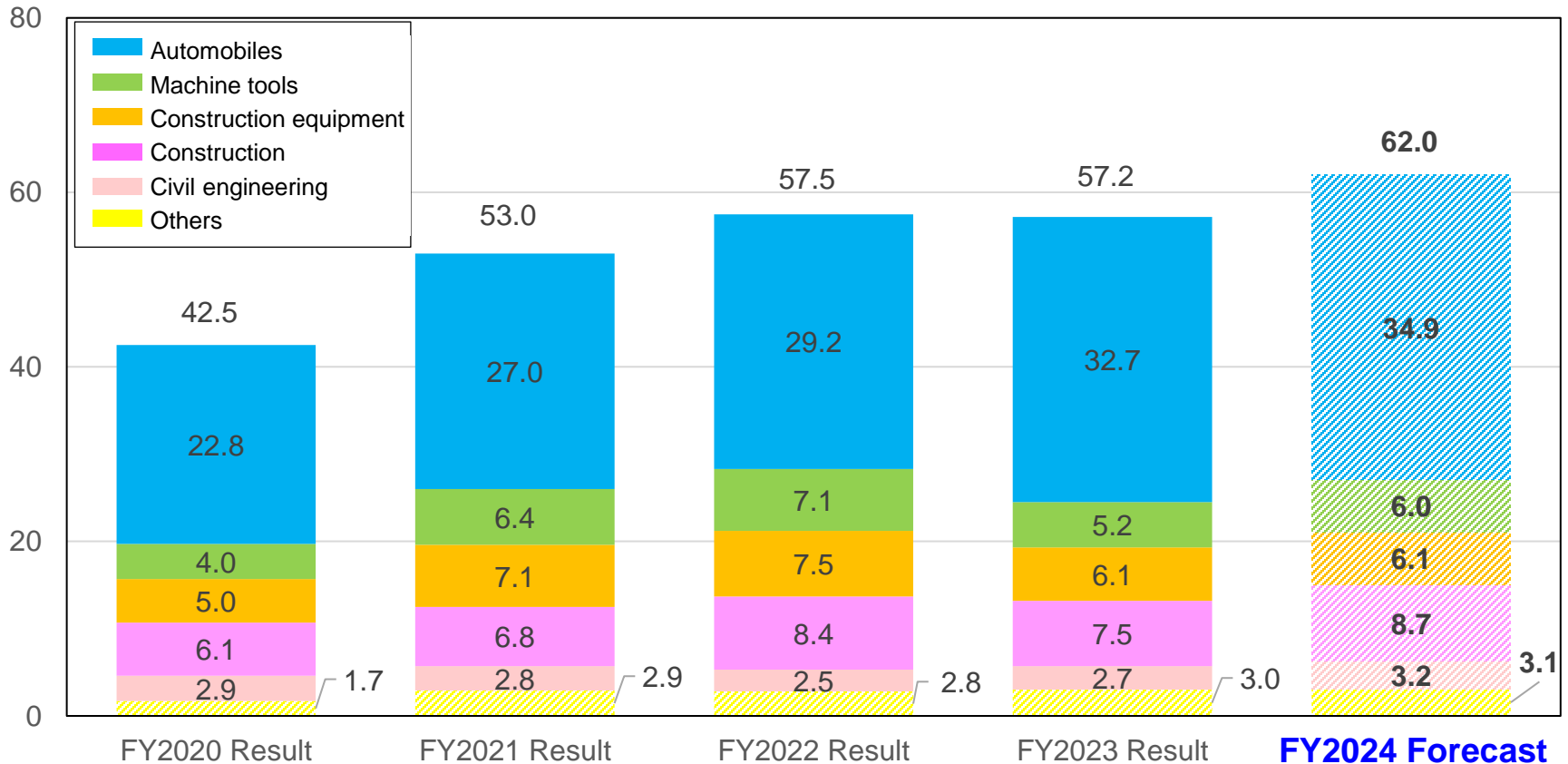
14. Net Sales of New Products and New Business



15. Net Sales by Industry

- Automobiles: Sales of ITW® remained steady and sales of equipment also increased
- Machine tools: Orders from customers for induction heat treatment-related services decreased and sales of equipment increased
- Construction equipment: It is expected that it will take time for the market recovery
- Construction: The number of construction projects steadily increased after the revision of sales prices
- Civil engineering: The market remained sluggish and sales expansion activities were strengthened mainly in railway-related projects

(Billion yen)



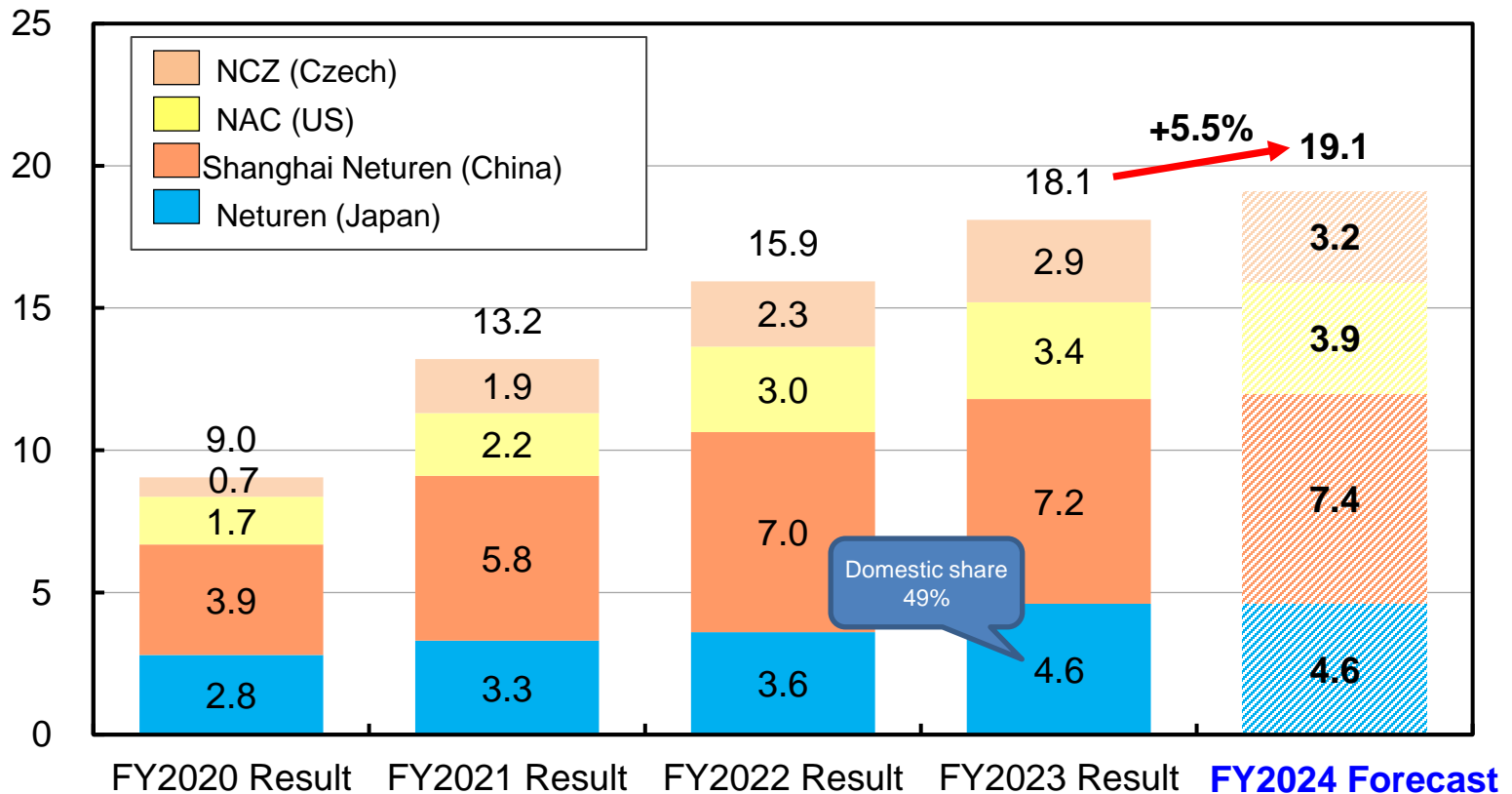
14th Medium-term Management Plan	15th Medium-term Management Plan	16th Medium-term Management Plan
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16. Net Sales of High-strength Spring Steel Wire (ITW®)

- Net sales in Japan remained steady YoY and net sales overseas increased due to an increase in sales volume and the effect of the yen depreciation
- Growth in China was slightly slower than in the initial plan and the production capacity in the US was enhanced
- A 5.5% increase in sales YoY is forecast



(Billion yen)

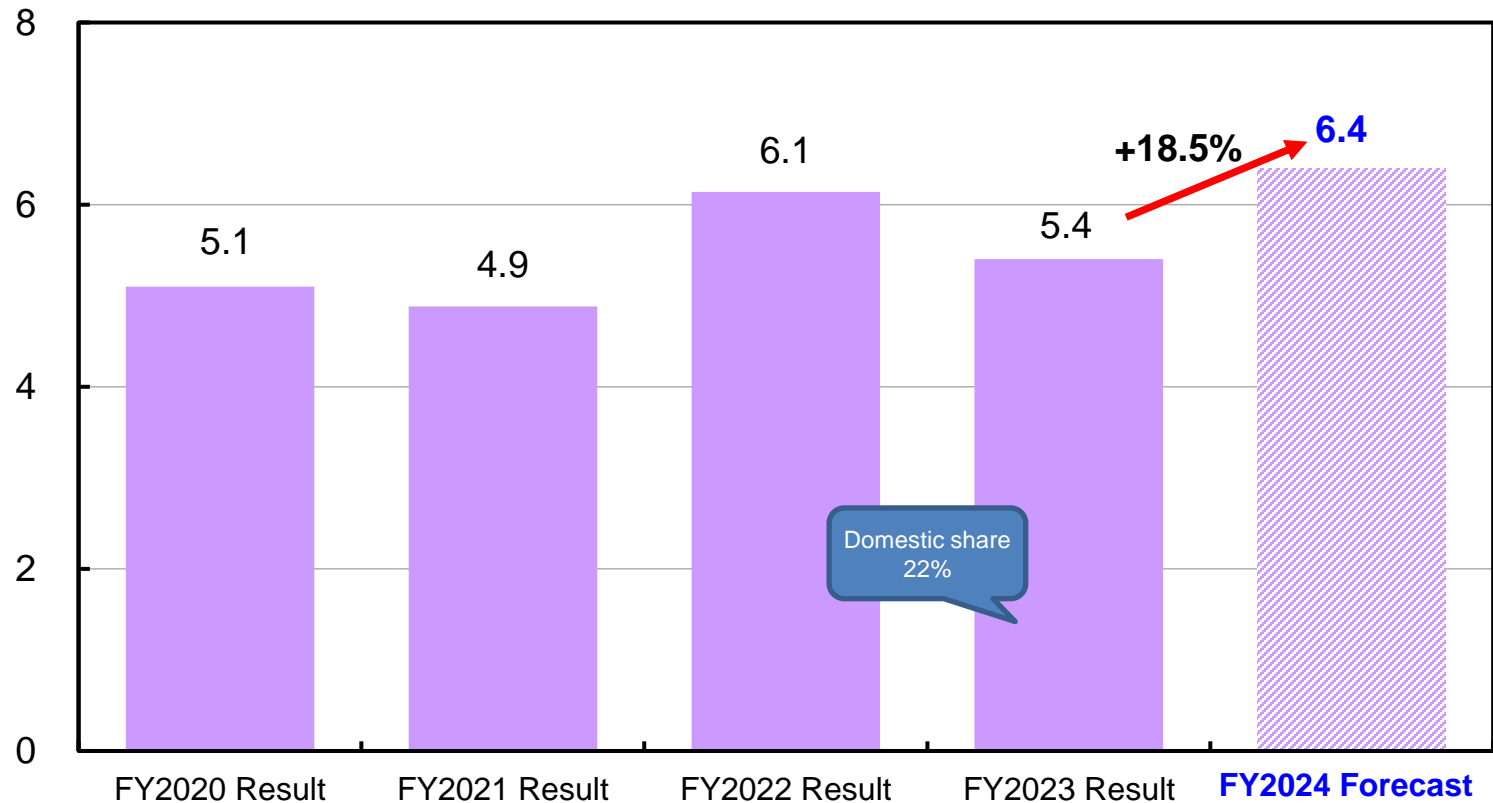


17. Net Sales of PC Steel Bars and Deformed PC Steel Bars

- The effects of continuing slump in the civil engineering industry and construction delays and project start delays in the construction industry were gradually being resolved for projects that have adopted Neturen products
- Sales expansion activities continued mainly in railway-related projects including the Hokkaido Shinkansen
- An 18.5% increase in sales YoY is forecast

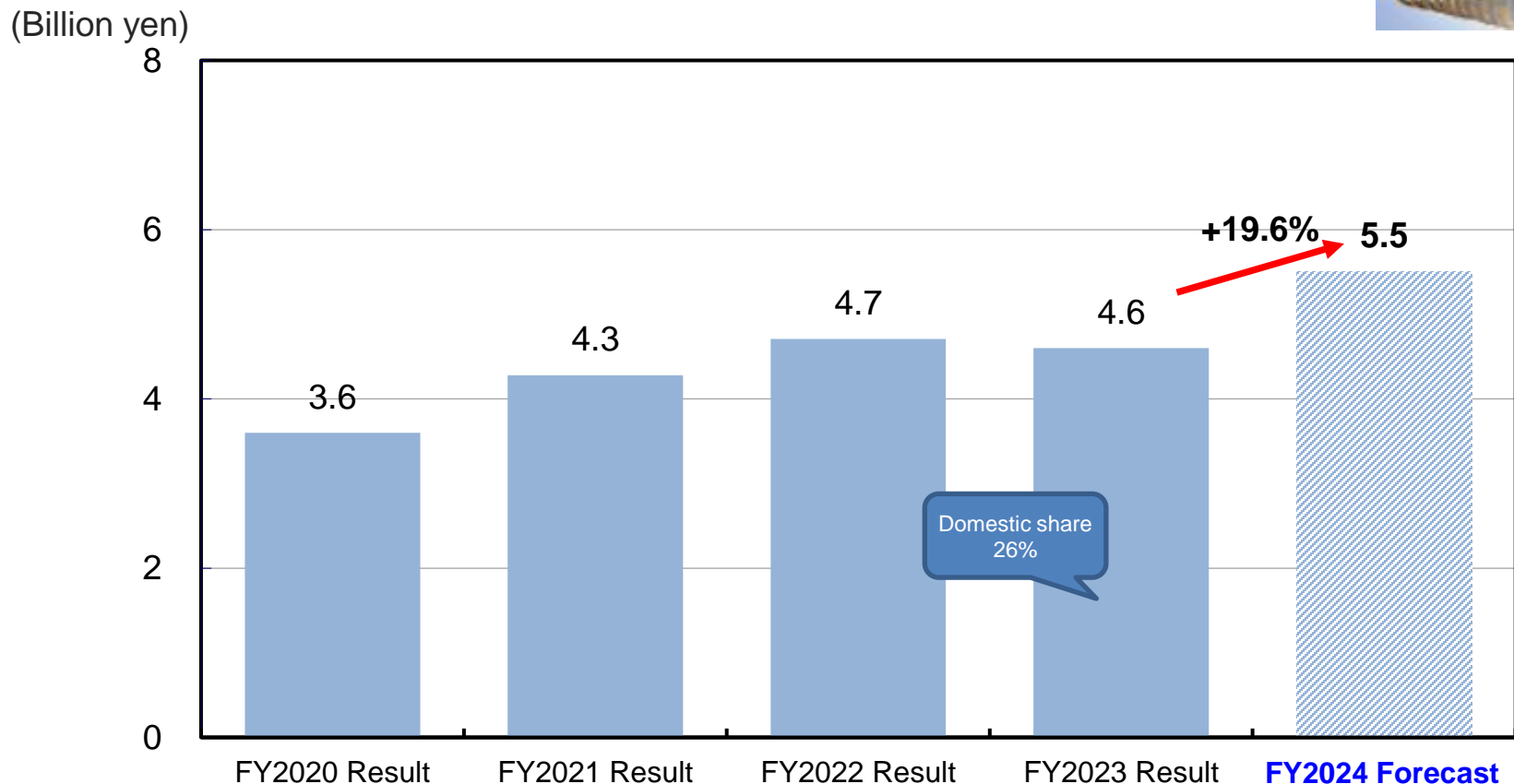


(Billion yen)



18. Net Sales of High-strength Shear Reinforcement

- The number of products with revised prices reflecting increased costs of steel, electricity, transportation, etc. increased gradually, and the number of construction projects, etc. using our High-strength Shear Reinforcement remained steady
- An 19.6% increase in sales YoY is forecast

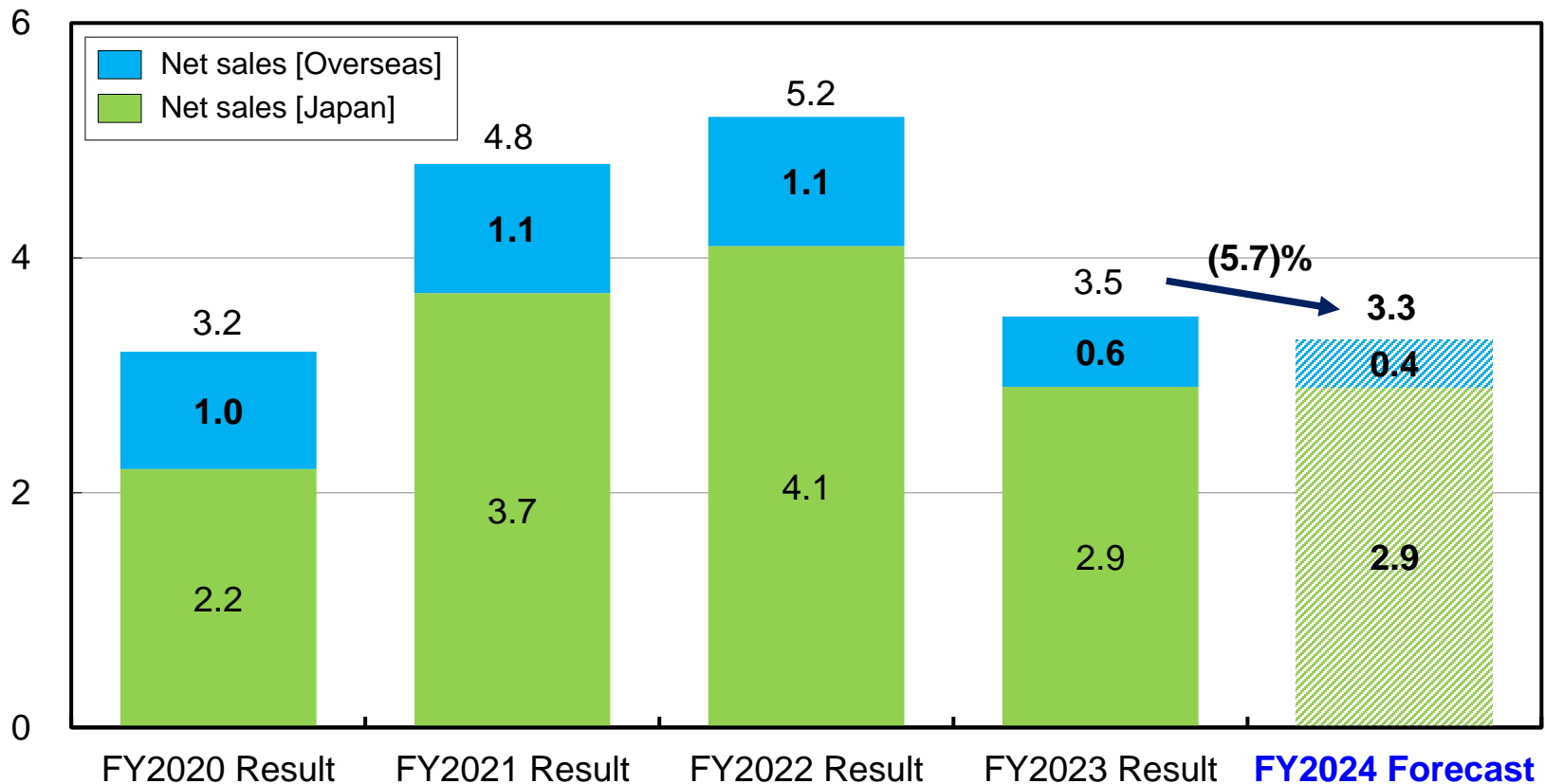


19. Net Sales of Slewing Bearings (Construction Equipment Part)

- The ongoing stagnation in the construction market in both Japan and China had a significant impact on our core small and medium-sized models
- A 5.7% decrease in sales YoY is forecast



(Billion yen)



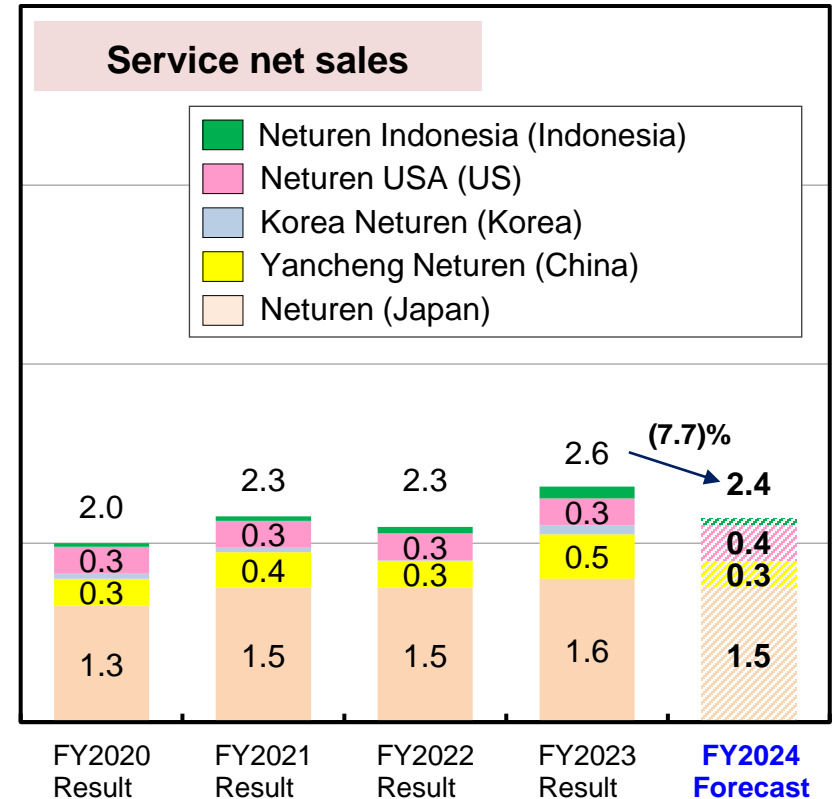
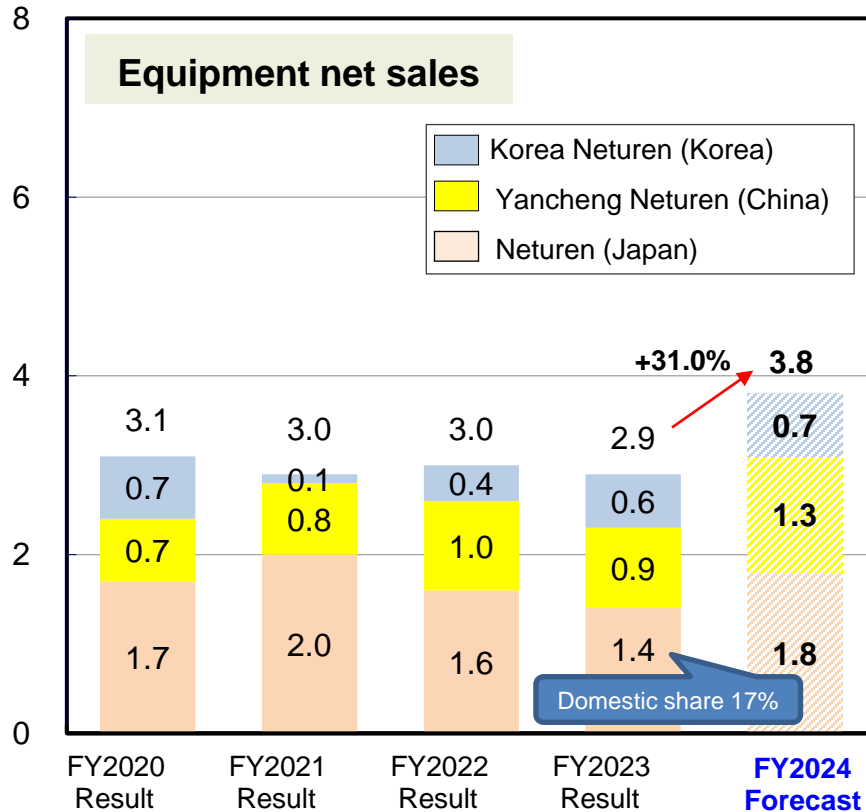
* Includes transactions within the Group

20. Net Sales of Induction Heating Equipment / Services

- Equipment net sales: Orders from related industries both in Japan and overseas remained strong
A 31.0% increase in sales YoY is forecast
- Service net sales: A 7.7% decrease in sales YoY is forecast



(Billion yen)

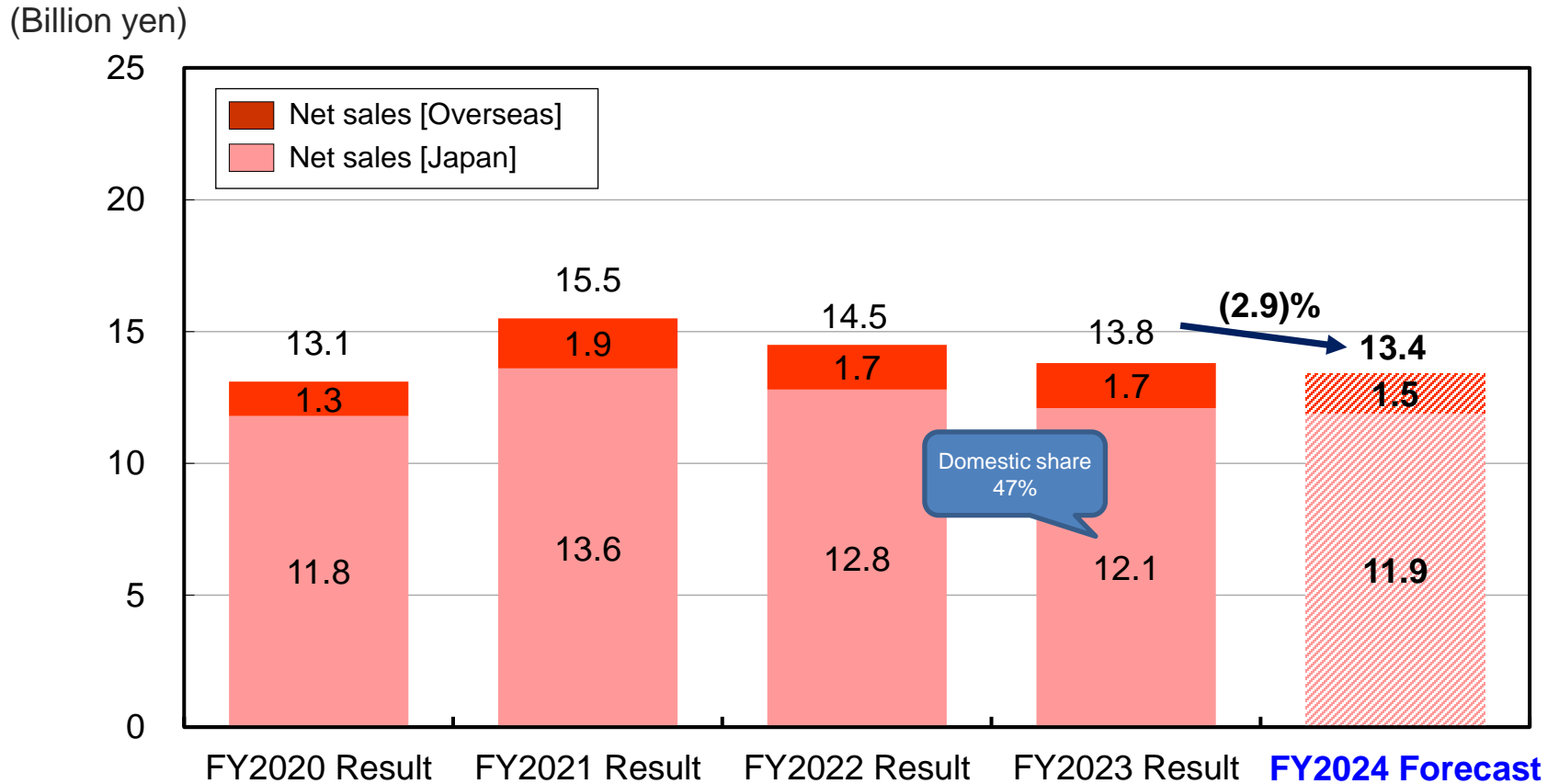


* Includes transactions within the Group

21. Net Sales of Induction Heat Treatment-related Services

- Orders from the automobile industry remained steady
- Orders from major customers in the construction equipment and machines tools industries remained weak
- A 2.9% decrease in sales YoY is forecast

Induction Heating Division



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22. Progress of 16th Medium-term Management Plan (1)

- Slogan: **Aggressive Challenge One NETUREN 2026**
- Objective: Growth, Evolution, and Breakthrough
Challenge boldly and aggressively by **getting together** collective resources of whole group companies

Increased Corporate Value

Four Strategies

● Technology Development | Create New Drivers to Grow

- Create new businesses, products and technologies through **bringing together** our collective inter-group strengths using Inverted T-shaped model

● Business | Generate Growth Engines

- Providing products, services, and technologies that satisfy our customers by **bringing together** new technologies and our cultivated work-site operational expertise

● Global | Expand Market Globally

- Expand the global market including untapped areas by **bringing together** information network

● Human Resources | Develop Employees with Self-motivation at Work

- Accelerate our corporate growth through further developing personnel and **bringing together** individual activities to the entire NETUREN Group

Capital Cost Management

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

FY2026 Midium-term Management Plan Targets	Net sales	Operating income	Operating income to net sales	ROE	ROA	ROIC
	70 billion yen	4.6 billion yen	6.5%	6.5% or more	5.5% or more	5.5% or more

23. Progress of 16th Medium-term Management Plan (2) | Four Strategies (1/2)

Technology Development | Create New Drivers to Grow

- Expanded Neturen MB method and trial for mild carburization
- Developed induction heating coils made with 3D printers
- Developed new production technology (**Developed Neturen butted method**)
- Cultivated new applications of Double Stark and improved construction method
- Developed advanced FPGA power supplies units
- Developed new thermal treatment process (e.g., heat treatment of Ti alloy parts)
- Developed model base of ideas for heat treatment utilizing CAE, AI, etc.

Business | Generate Growth Engines

Specialty Steel and Wire Products Division	<ul style="list-style-type: none">• Increased orders for high-strength shear reinforcement and large-scale projects for PC steel bars• Increased sales of pre-grout PC steel bars and NAPP units• Developed AI-based automatic identification/automatic polish lines for welded hoop integrators and flaws of ITW raw materials• Automated inspection (whirling materials, FIT, rack bars, etc.)
Induction Heating Division	<ul style="list-style-type: none">• Launched a plant reorganization project “REBORN Kariya”• Installed solar panels in Okayama No.2 Plant following Ibaraki Plant and Amagasaki Plant

24. Four Strategies, Create New Drivers to Grow [Example 1 of 2]

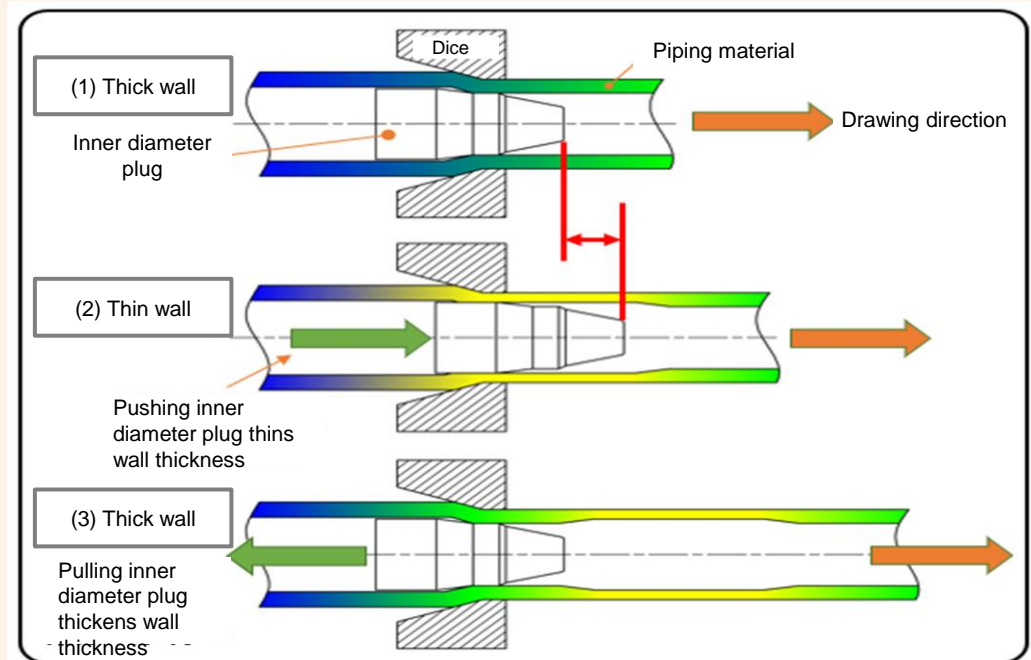
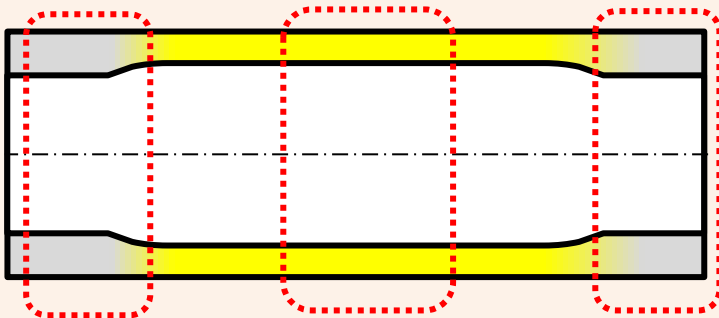
Development of Neturen Butted Method

- Unique production method to change pipe wall thickness profile during the piping material drawing process
- Operation timing of inner diameter plug enables flexible adjustment of wall thickness
- **Drawn piping materials provide both high strength and light weight with IH heat treatment**

Development
Example

Creates **thinner wall by pushing** or **thicker wall by pulling** stepped inner diameter plug

(3) Thick wall (2) Thin wall (1) Thick wall



Mechanism to change wall thickness

25. Four Strategies, Create New Drivers to Grow [Example 2 of 2]

■ Fully Airless Quenching Equipment

- First products shipped from the Company's Electrical Equipment Department, Nagoya Plant
- Changed from conventional air-operation to electric drive
(Modified parts: front door, output section, upper center section)

Delivery
Example

- Reduction of the number of compressors in operation
- Reduction of waste due to air leak
- Reduction of running cost, contribution to CO₂ reduction



Airless quenching equipment

26. Four Strategies, Generate Growth Engines [Example 1 of 2]

Orders Expand for Large-Scale Projects for High-strength Shear Reinforcement and PC Steel Bars

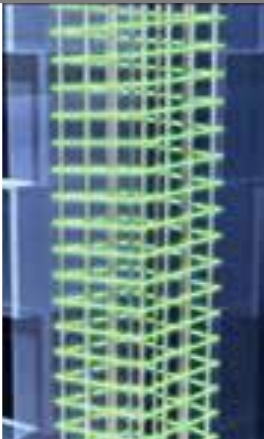
Increase in sales of PC steel bars for the structure of “Hokkaido Shinkansen”

- High-strength shear reinforcement: For RC Rahmen-structured elevated bridge column section
- PC steel bars: For slab track plates supporting rails

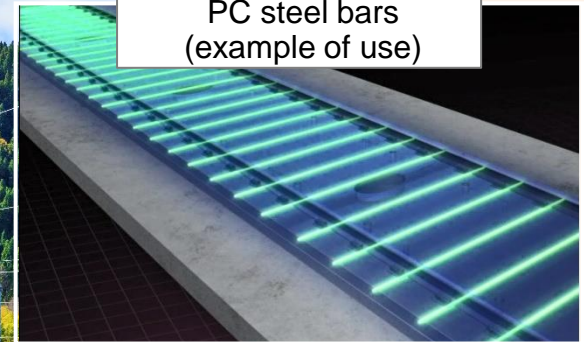
Adopted in
8 out of a total of 18
construction sections

Scheduled to
start delivery in 2025

High-strength
shear reinforcement
(example of use)



PC steel bars
(example of use)



JR Hokkaido Merchandising Permission granted

27. Four Strategies, Generate Growth Engines [Example 2 of 2]

■ Launch a Plant Reorganization Project “REBORN Kariya”

《Purposes》

Increased
productivity

Enhanced
production capacity

Increased
profitability

Launched approx.
¥1.5 billion
project

Increase production capacity by 1.2 times in 2025
by new heat treatment equipment installed
(automobile undercarriage parts)



Kariya Plant



CVJ quenching and tempering equipment



BJ shaft quenching equipment

28. Progress of 16th Medium-term Management Plan (2) | Four Strategies (2/2)

Global | Expand Market Globally

Specialty Steel and Wire Products Division	<ul style="list-style-type: none"> • Expanded plant building of Neturen America Corporation • Displayed in SPRING WORLD 2024 and increased new transactions • Large diameter ITW, new application development, promotion of new product development
Induction Heating Division	<ul style="list-style-type: none"> • Expanded plant building of Neturen Indonesia • Established system for FPGA electricity supply service in Neturen USA • Produced/sold FPGA electricity supply units in Korea Neturen and Yancheng Neturen

Human Resources | Develop Employees with Self-motivation at Work

<ul style="list-style-type: none"> ● Disseminate VISION and the Medium-term Management Plan 	<ul style="list-style-type: none"> • Communicated messages from President and executive officers/Conducted dissemination meetings of the Medium-term Management Plan by base • Sent out top messages based on the President's diagnosis (9 times by November)
<ul style="list-style-type: none"> ● Foster motivation for voluntary contribution 	<ul style="list-style-type: none"> • Promoted in-house and outside people exchange
<ul style="list-style-type: none"> ● Strengthen global human resources 	<ul style="list-style-type: none"> • 1 employee dispatched for overseas trainee system and 8 employees attended language training • Conducted personnel exchange between Japanese and overseas bases
<ul style="list-style-type: none"> ● Systematization of the skill map 	<ul style="list-style-type: none"> • Held an explanatory meeting to demonstrate a system to be implemented in April 2025
<ul style="list-style-type: none"> ● Diverse group of people working comfortably 	<ul style="list-style-type: none"> • Hosted an information sharing meeting between female outside officers and female employees

29. Four Strategies, Expand Market Globally [Example 1 of 2]

Expand Plant Building of Neturen America Corporation

Increased production capacity of ITW

<Outline of Plant>

- Location: Hamilton, Ohio, USA
- Expansion area: Approx. 2,600 m²
- Completion date: April 2024
- Increased production lines: 1 drawing line and 1 heat treatment line
- Large-diameter acceptability: 17 mm or more diameter wires possible
- Investment amount*: Approx. ¥1.0 billion

* Accumulated amount since the 15th medium-term management plan term



Expanded building



Equipment inside the plant

OEM approval for expanded lines obtained in August 2024

Develop a complete production system in October 2024

30. Four Strategies, Expand Market Globally [Example 2 of 2]

Expand Plant Building of Neturen Indonesia

Increased production capacity

<Outline of Plant>

- Location: Bekasi, West Java, Indonesia
- Expansion area: Approx. 3,600 m²
- Completion date (scheduled): March 2025
- Investment amount*: Approx. ¥0.9 billion
- Launched construction for expansion of plant in August 2024 following a groundbreaking ceremony



Groundbreaking ceremony



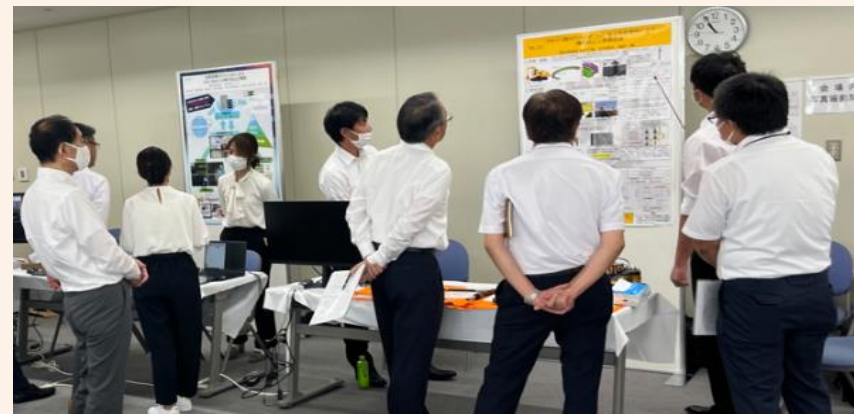
Image of the completed building

■ All Companies Technology Presentation Session

(Poster session co-presented by Research and Development Headquarters and Product Engineering Headquarters)

<Outline of the Event>

- Held in September 2024
- Each business segment and Group company presented in the Company's first poster session
- Actively exchanged opinions toward fast implementation and commercialization of new products and new technologies



All companies Technology Presentation Session

■ Technical Exchange Meeting with Tsuchiyama Laboratory, Metals Science for Structural Materials, Kyushu University

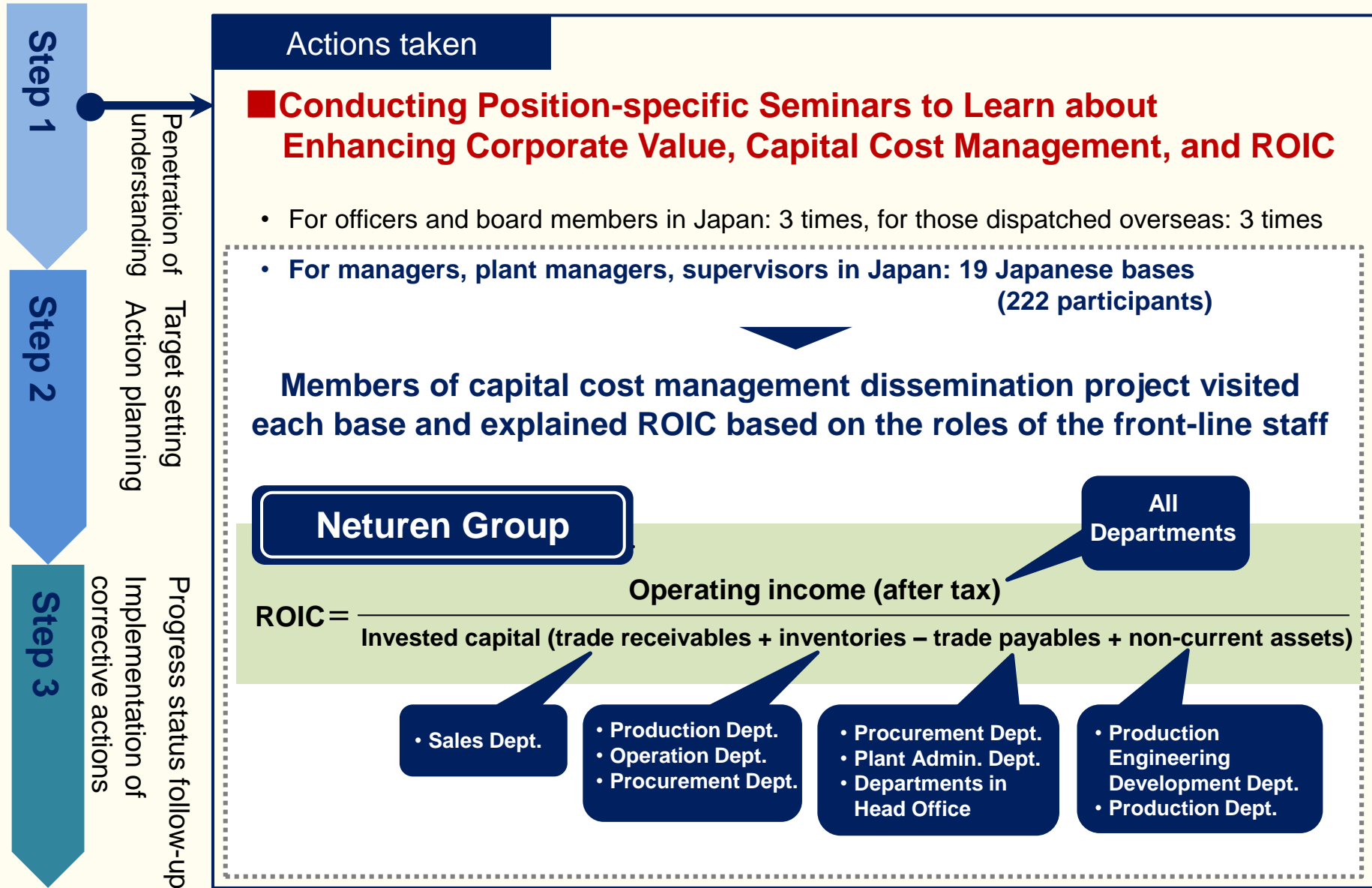
<Outline of the Event>

- Held in September 2024
- Regular event since October 2006
- Discuss technical issues Neturen faces and new technology development, and update the latest research results
- Active discussion with students with expertise in metal materials



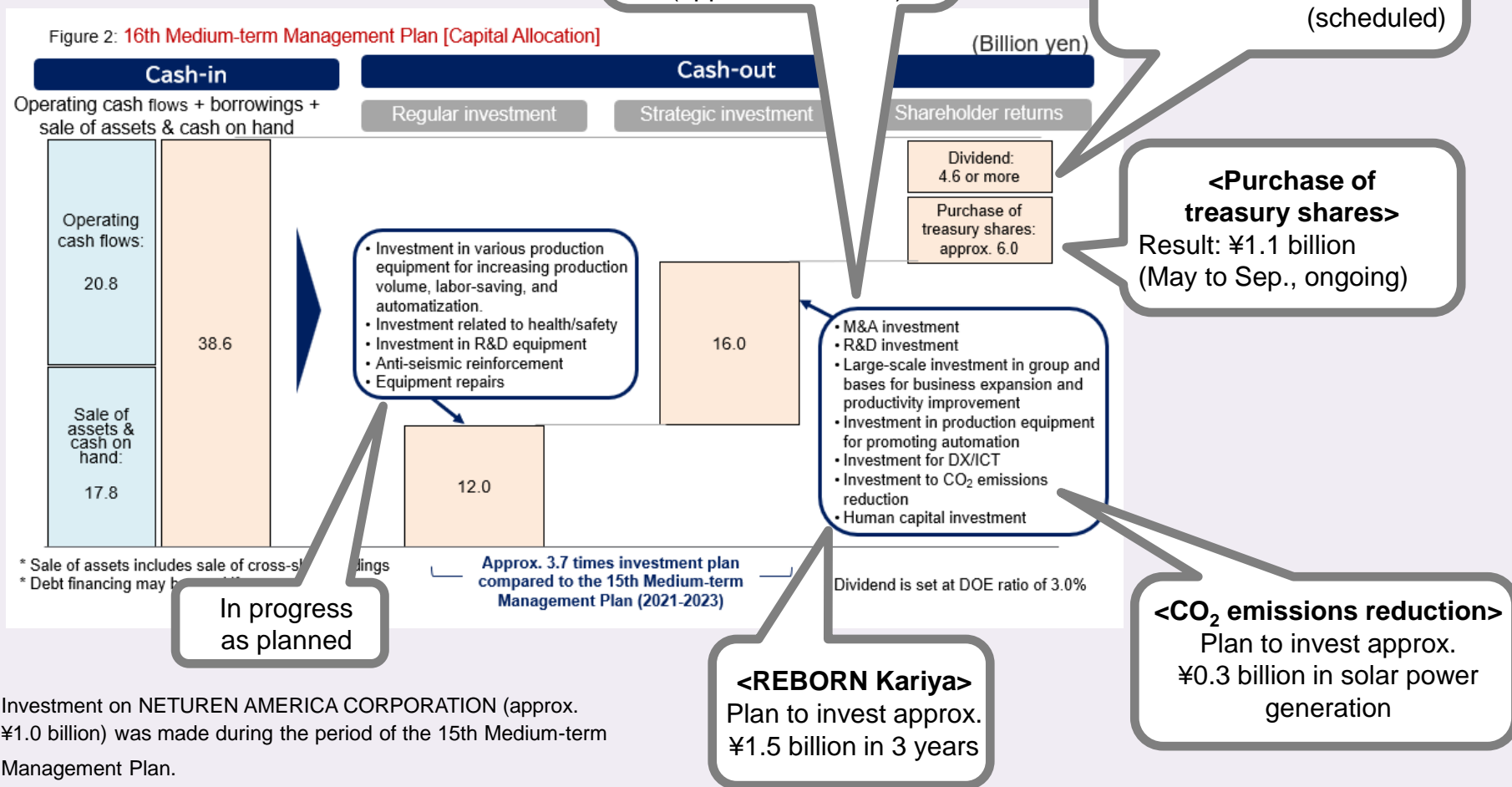
Technical exchange meeting with Tsuchiyama Laboratory of Kyushu University

33. Progress of 16th Medium-term Management Plan (3) | Capital Cost Management



34. Progress of 16th Medium-term Management Plan (4) [Capital Allocation]

- From the 16th Medium-term Management Plan briefing materials



35. Poster, 16th Medium-term Management Plan

NETUREN VISION 2030
Evolution and Breakthrough
April 2021 to March 2031

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

16th Medium-term Management Plan Slogan
(3years from April 2024 to March 2027)

**Aggressive Challenge
One NETUREN 2026**

Increase Corporate Value

NETUREN

Technology Development
Create New Drivers to Grow

Business
Generate Growth Engines

Global
Expand Market Globally

Human Resources
Develop Employees with Self-motivation at Work

Capital Cost Management

16th Medium-term Management Plan





Neturen Co., Ltd.

The Company's
Website



Integrated Report
2024



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.

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- II. Trends in Business Results
- III. Progress of 16th Medium-term Management Plan
- IV. 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 (As of Sep. 30, 2024)	Consolidated: ¥29,002 million Independent: ¥15,729 million
Number of Employees (As of Sep. 30, 2024)	Consolidated: 1,624 Independent: 894
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

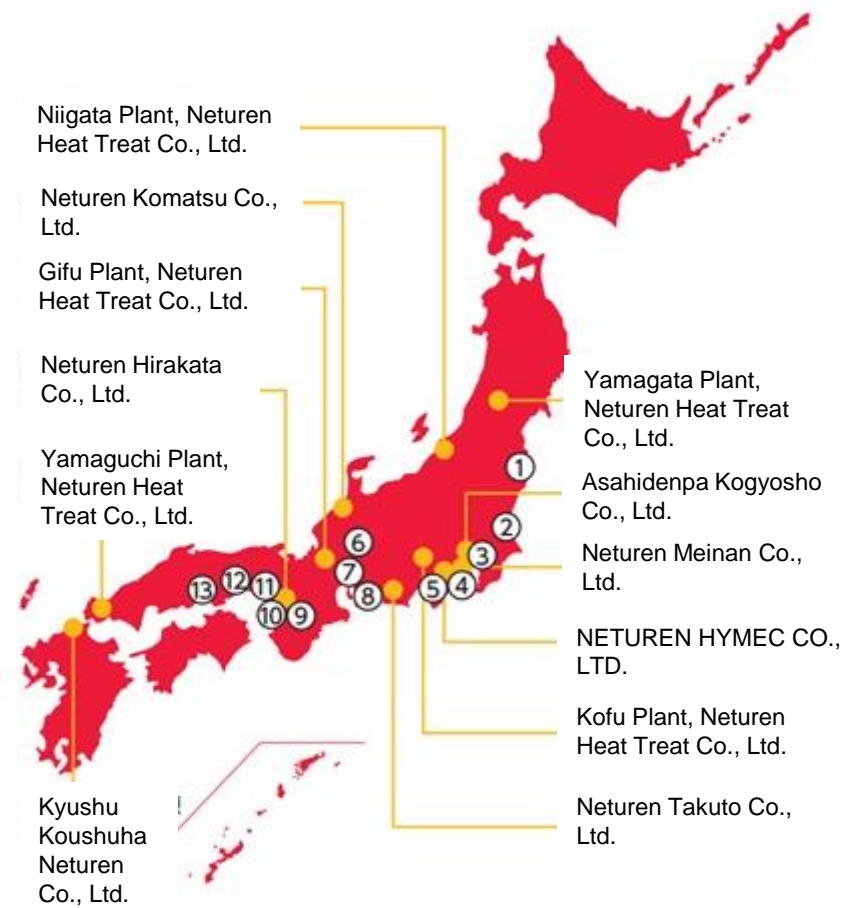
9 companies, **25** bases in **Japan**

15 companies, **16** bases in **6** countries **overseas**

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

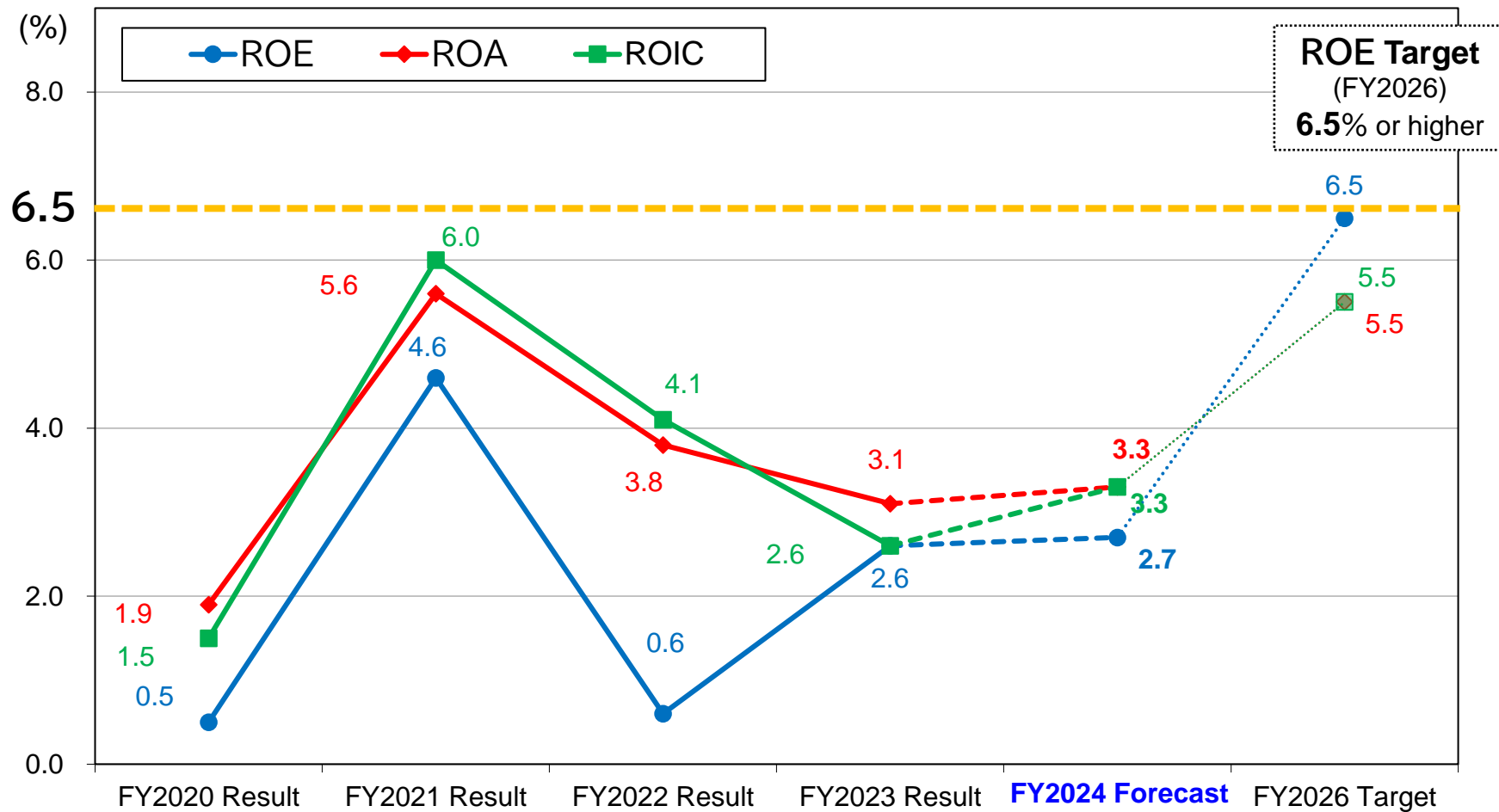
(As of September 30, 2024)

- (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



ROE / ROA

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



14th Medium-term Management Plan	15th Medium-term Management Plan	16th Medium-term Management Plan
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Business Segments

【Specialty Steel and Wire Products Division】

High-strength steel material products

Automobiles



Construction



Civil engineering



Induction Heating Technology

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

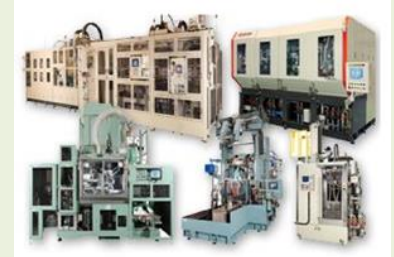
Construction equipment



Industrial / machine tools



High-frequency quenching equipment



High-frequency power supplies



Induction heating equipment

【Others】 Leasing business, others

Net Sales Ratios by Industry

