Annual Securities Report

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

Fiscal Year	From April 1 2024
(114th Fiscal Term)	To March 31 2025

Neturen Co., Ltd.

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[Document Submitted]	Annual Securities Report (*Yukashoken Hokokusho*)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
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[Fiscal Year]	114th fiscal year (from April 1, 2024 to March 31, 2025)
[Company Name]	Koshuha Neturen Kabushiki Kaisha
[Company Name in English]	Neturen Co., Ltd.
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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.

		110th	111th	112th	113th	114th
Fiscal year ended		March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Net sales	(Million yen)	42,567	53,004	57,524	57,205	57,563
Ordinary profit	(Million yen)	1,475	4,418	3,088	2,511	2,321
Profit attributable to owners of parent	(Million yen)	268	2,690	381	1,542	1,815
Comprehensive income	(Million yen)	1,351	5,420	3,118	4,182	4,132
Net assets	(Million yen)	62,714	66,859	66,549	66,471	66,329
Total assets	(Million yen)	75,574	82,003	79,888	80,613	83,760
Net assets per share	(Yen)	1,410.69	1,494.67	1,575.08	1,657.44	1,736.23
Basic earnings per share	(Yen)	6.59	67.45	9.89	41.91	51.59
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	74.4	72.7	74.3	74.4	71.1
Return on equity	(%)	0.5	4.6	0.6	2.6	3.0
Price earnings ratio	(Times)	92.4	8.8	70.3	26.7	18.8
Net cash provided by (used in) operating activities	(Million yen)	3,969	6,335	3,888	4,193	4,107
Net cash provided by (used in) investing activities	(Million yen)	(758)	(40)	(1,203)	(1,647)	(3,404)
Net cash provided by (used in) financing activities	(Million yen)	(1,595)	(1,970)	(4,286)	(5,080)	1,713
Cash and cash equivalents at end of period	(Million yen)	13,309	18,099	16,911	14,810	17,580
Number of employees [In addition, average number of temporary staff]	(Persons)	1,571 [226]	1,604 [231]	1,596 [249]	1,627 [190]	1,595 [182]

(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 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.
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.	Chuo-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. Concurrent service by officers
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.
PT. NETUREN INDONESIA (Note 2)	West Java, Republic of Indonesia	IDR 181,898 million	Induction Heating Division	96.8	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. Concurrent service by officers
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:

Key profit/loss information:	(1) Net sales	¥7,226 million
	(2) Ordinary profit	¥237 million
	(3) Net profit before tax	¥251 million
	(4) Net assets	¥5,599 million
	(5) Total assets	¥6,212 million

4. Employees

(1) Consolidated companies

As of March 31, 2025

Segment name	Number of employees (persons)
Specialty Steel and Wire Products Division	545 (25)
Induction Heating Division	882 (131)
Total for reportable segments	1,427 (156)
Other	99 (16)
Corporate	69 (10)
Total	1,595 (182)

(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, 2025

Number of employees (persons)	Average age (years)	Average length of employment (years)	Average annual pay (thousand yen)
883 (101)	40.8	13.9	6,248

Segment name	Number of employees (persons)
Specialty Steel and Wire Products Division	330 (25)
Induction Heating Division	385 (50)
Total for reportable segments	715 (75)
Other	99 (16)
Corporate	69 (10)
Total	883 (101)

(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)
2.4	46.2	76.9	80.6	70.2

(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. 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) under Article 71-6 (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).

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 childcare leave rate of male employees>

We have conducted awareness-raising activities about the childcare leave program for male employees. As a result, the usage rate of the program rose from 38.0% for the previous fiscal year to 46.2% for the fiscal year under review. The rate has been increasing in the past few years, and we will continue to further establish an environment which makes it easier for male employees to take childcare leave.

The usage rate of childcare leave program for male employees is calculated as follows:

(Number of male employees who took childcare leave) / (Number of male employees whose wives gave birth) × 100

<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, but the difference happens because of the smaller number of women, 0.4% of all employes, promoted to highly paid management positions than men, 16.3%. A gender payment gap has eventually emerged due to the different gender composition between ranks.

We will continue to implement initiatives for promoting women's active engagement and conduct operational improvement in the personnel system to improve the percentage of female managers, 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 corporation, 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), return on equity (ROE), and return on invested capital (ROIC) 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 motivation of 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 economic 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

As we enter the second year of our 16th medium-term management plan, “Aggressive Challenge One NETUREN 2026” (three-year plan from April 2024 to March 2027) which was formulated as the second phase of the above-mentioned long-term management vision NETUREN VISION 2030 "Evolution and Breakthrough, we will further strengthen and promote capital cost management (reassessment of business portfolio, full-scale introduction and deployment of ROIC, optimization of capital allocation, revision of capital policy and financial strategy) , contribute to the sustainable society and increase corporate value faster than ever.

- Basic policy

  Promote business expansion by creating a new growth driver, as well as nurturing the current growth engine by utilizing management capital actively, efficiently, and effectively, and develop human resources.

  Promote sustainability management, spread environmentally friendly technologies and products, increase corporate value, and meet social needs, as well as further expand the Neturen brand.
- Period: April 2024 – March 2027 (three years)
- Corporate slogan: Aggressive Challenge One NETUREN 2026
- Our will: Actively and boldly taking challenges for growth, evolution, and breakthrough with our accumulated wisdom.

Consolidated management targets	Fiscal year ending March 31, 2027
Net sales	¥70.0 billion
Operating profit	¥4.6 billion
Operating profit margin	6.5%
Return on equity (ROE)	6.5% or more
Return on assets (ROA)	5.5% or more
Return on invested capital (ROIC)	5.5% or more

(4) Business environment and priority issues to be addressed

Concerning the environment surrounding the Group, we expect the uncertain outlook for the future business to remain as we have witnessed continuously rising price and labor shortages becoming more severe in Japan, and influence of the economic downturn in China, growing geopolitical risks due to unstable regional situations such as the protracted conflict in Ukraine, and impact of the U.S. policy of raising tariffs.

Since it is expected that it will take some time for these concerns to be resolved, the business performance of our Group will be affected in an unpredictable situation for a while.

Under these circumstances, the Group has entered into the second year of its 16th Mid-Term Management Plan, but we have not yet achieved our consolidated management targets. To achieve the targets in the end, we will aggressively implement various measures based on the basic strategies set forth in the plan at the time of its formulation and continue to promote aggressive sales and cost reduction activities, including the transfer cost increases to selling prices.

The basic strategies set forth in the 16th Mid-Term Management Plan are as follows.

1) Technology development: Create new drivers to grow

Based on the strengthened marketing capabilities, we will create new businesses, products, and technologies by using the inverted T-shaped model to flexibly connect intergroup competences.

2) Business: Generate growth engines

We enhance production engineering capabilities and strengthen the competitiveness of our products by connecting new technologies to our existing skills at workplaces, as well as generate new products, services, and technologies to get more customers' satisfaction.

3) Global: Expand market globally

We connect information networks and expand global markets including untapped markets, with a focus on products, services, and technologies contributing to reduce CO2 and global environmental impact.

4) Human resources: Develop employees with self-motivation at work.

We further develop employees who understand diversity and always have positive mindsets and self-motivation at work and connect their activities to the Neturen Group as a whole to accelerate business growth.

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 2024.

(1) Corporate basic policy for sustainability

Neturen Group has been managed with SGDs as a core of the policy during the long-term business plan "Neturen Vision 2030". At the same time "Basic Policy for Sustainable Operation in Neturen Group" was set up considering with recent social movements and requests for sustainability after checking own CSR activities including actions for climate change, environmental protection and human rights. Based on the policy, the important operational issues are pointed out and specified as a materiality of the group.

1) Governance

In Neturen Group, the Corporate Sustainability Promotion Committee was installed, and President/CEO was appointed as a chairman. All directors, auditors and related general managers were appointed as members and corporate sustainability activities are made up, managed, checked progress and their results are evaluated in the committee.

2) Strategy

Induction heat technology is a green technology with low CO2 emissions which is the core competence of our group. It also boosts production efficiency with shorter heating times, and contributes to energy conservation. We recognize a 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.

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.

a) Ensure the Company's business continuity and stable development through the practice of risk management.
b) 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.
c) Constantly taking responsibility as a supplier of products and services used in society and acting with the social mission of stably supplying high-quality products and services.
d) Ensure that all the related people including directors and employees comply with laws, regulations, 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 important ones such as environmental risks associated with sustainability and employment/HR risks, which are checked regularly and evaluated in detail.

4) Metrics and targets

Neturen Group set "Metrics and Targets" for each specified materiality and people are working hard day by day to achieve identified company's ideal state in 2030.

Materiality	Ideal state in 2030	Target
Reduction of CO2 emission	Implement energy conservation measures to reduce greenhouse gas emission which prevents from global warming. Ideal state in 2030 is 30% less CO2 emission in comparison with FY2013.	・CO2 emission volume reduction 3% or more YoY every year. ・CO2 emission unit (production volume/CO2 emission) reduction 3% or more YoY every year.
Development of human resources	Educate employees for heat treatment technologies to develop knowledgeable and skilled engineers.	・Full implementation of training sessions as scheduled with substantial attendants. ・Continuous organizing of training sessions and setting up of education systems by human resource committee.
Encouragement of work-life balance for each employee	Encourage self-motivation to work to all employees and provide secured working environment to them to maintain good work-life balance.	・More than 10 days paid leave taken by employees in average. ・Enhancement of corporate work-life balance initiatives.
Establishment of diversity	Fostering corporate culture which respects ones' talent and capability regardless of nationality, race, gender and age.	・Activation of all kinds of people including women in business. ・Offering working opportunity to retired employees. ・Achieving 2.7% employment rate for disabilities which meeting to legislation.

(2) Climate change

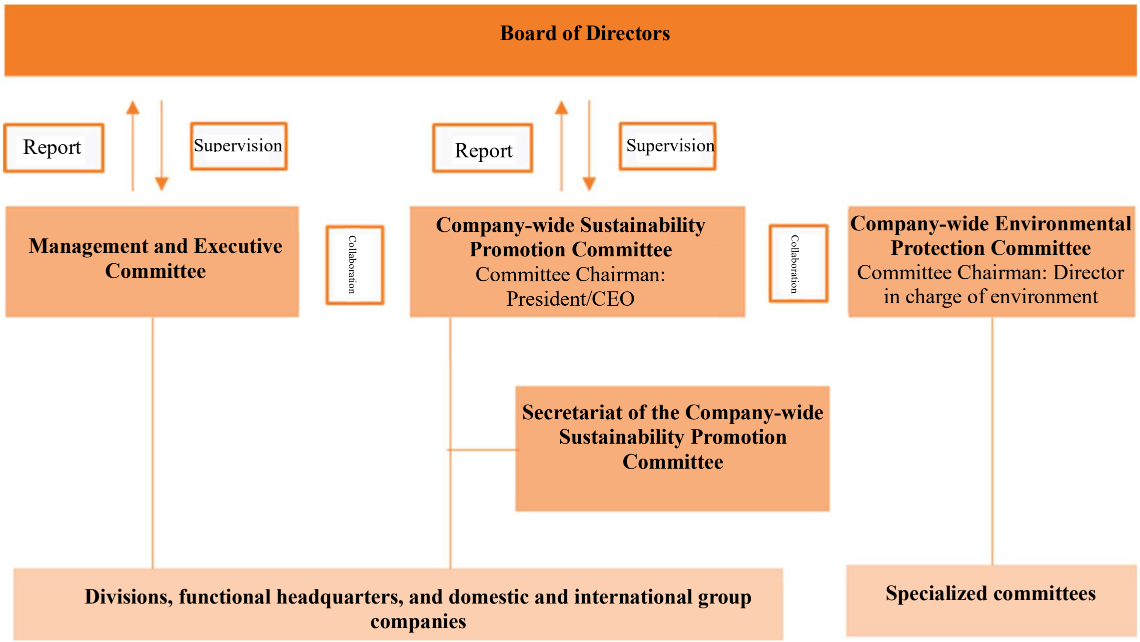
Neturen Group understands sustainable growth of the company and society can be achieved only under the healthy global environment. With the recognition of responsibility for environmental protection, the company works to reduce CO2 emission, conserve natural resources and stop all kinds of pollutions. We also continue developing new technologies and products to reduce all kinds of environmental impacts. The company is aware of the climate change is one of the most urgent issues for society and the corporate management, so we decided to disclose information according to TCFD (Task force on Climate-related Financial Disclosures) recommendation.

1) Governance

We have a Company-wide Sustainability Promotion Committee, which works with the Management and Executive Committee and the Company-wide Environmental Protection Committee to deliberate on policies for climate change-related risks and opportunities. The Board of Directors receives reports on the deliberations of the Company-wide Sustainability Promotion Committee and supervises the progress of initiatives related to climate change issues.

The President/CEO chairs the Company-wide Sustainability Promotion Committee and is ultimately responsible for management decisions on climate change-related issues. The President/CEO receives reports from the Company-wide Environmental Protection Committee and the Company-wide Sustainability Promotion Committee on the Company's response to climate change and progress in addressing climate change issues.

Sustainability Promotion Framework



Meeting bodies and roles in the sustainability promotion system

Meeting body	Role and frequency of meetings
Board of Directors	Supervise the progress of initiatives related to sustainability issues, including climate change-related issues, after the discussion and approval of the business unit (or the Management and Executive Committee).
Company-wide Sustainability Promotion Committee	Responsible for identifying, assessing, and responding to climate-related risks, and deliberate on measures to key climate-related risks and monitor the progress of such measures. The Committee reports its findings to the Board of Directors. However, the contents has to be confirmed at the Committee with the participation of all members of the Board of Directors. In principle, the Committee takes place four times a year.
Secretariat of the Company-wide Sustainability Promotion Committee	Identify, evaluate, and manage climate-related risks, and formulate action plans for climate change risks. The results are submitted to the Company-wide Sustainability Promotion Committee.
Company-wide Environmental Protection Committee	Formulate annual environmental policies in cooperation with the Company-wide Sustainability Promotion Committee and set targets for CO_2 reduction, etc. The Committee also establishes a specialized committee to promote activities for CO_2 reduction.
Management and Executive Committee	Examine comprehensive risks, including climate change risk, and deliberate and approve countermeasures. The decisions is reported to the Board of Directors on a regular basis.

2) Strategy

We analyzed 1.5°C and 4°C scenarios based on scientific evidence from the International Energy Agency (IEA) and other sources, and evaluated the significance of climate-related risks and opportunities that could affect our business in 2030 (transition risk) and 2050 (physical risk).

Scenario Definition

		1.5°C scenario	4°C scenario
Scenario Overview		Climate change measures are aggressively implemented, and government regulations are tightened. As a result, EVs and renewable energies become widespread, and demand for products with high environmental performance expands.	Climate change response is not implemented, and extreme weather events become more severe. As a result, demand for construction equipment and civil engineering products related to disaster recovery and infrastructure reinforcement expands.
Target year		Transition risk: 2030, Physical risk: 2050	
Reference scenario:	For transition aspects	IEA NZE*1	IEA STEPS*2
	For physical aspects	IPCC SSP1-1.9*3	IPCC RCP8.5*4

*1 IEA NZE (Net Zero Emissions by 2050 Scenario): A normative scenario presented by the IEA that shows a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050.

*2 IEA STEPS (Stated Policies Scenario): A conservative scenario presented by the IEA that reflects the policies announced by national governments.

*3 IPCC SSP1-1.9: A scenario in which CO_2 emissions are reduced to net zero in the middle of the 21st century and the increase in global average temperature is limited to 1.0-1.8°C (average 1.4°C) compared to the pre-industrial period, by adopting climate policies that limit the temperature increase to approximately 1.5°C or less, as indicated in the IPCC's Sixth Assessment Report.

*4 IPCC RCP8.5: A scenario in which the global average temperature at the end of the 21st century (2081-2100) is 3.2-5.4°C (4.3°C on average) higher than the pre-industrial level, as indicated in the IPCC's Fifth Assessment Report.

Climate-related risks and opportunities of particular importance to us

(Impact assessment criteria)
Large: 500 million yen or more
Medium: 10 million yen or more but less than 500 million yen
Small: less than 10 million yen

Risks/Opportunities	Business Impact	Financial Impact		Countermeasures
		1.5°C	4°C	
Risks	Introduction of carbon tax will increase the price of raw materials such as steel and semiconductors, and raise procurement costs	Large	Small	• Grasp the current situation and set targets • Increase in recycling rate • Switch to alternative raw materials
	Introduction of carbon tax will increase energy costs, and raise operating costs	Large (approx. 600 million yen *1)	No tax applicable	• Efforts to save energy and improve productivity • Switch to renewable energy sources • Securing electricity in-house by installing solar panels
	Opportunity losses will be incurred due to stagnation of production when procurement of raw materials becomes difficult due to severe extreme weather events	Large	Large	• Stockpiling of inventories • Diversification of procurement bases • Identification of procurement source risk • Securing multiple purchasing sources
	Severe extreme weather events can disrupt supply chains, resulting in lost sales opportunities	Large	Large	• Securing multiple means of transportation • Decentralization of logistics bases • Adaptation to local procurement
	Opportunity losses and recovery costs due to plant shutdowns caused by severe extreme weather events will be incurred	Large (approx. 500 million yen *2)	Large (approx. 500 million yen *2)	• Decentralization of response • Infrastructure enhancement
	Reinforcement cost of infrastructure at plants will increase in response to the high frequency of extreme weather events	Large	Large	• Identification of risks at Group manufacturing plants • Strengthening physical infrastructure • Relocate and decentralize people and assets • Ensure backups
	Deterioration of the working environment due to a heat wave will result in a labor shortage and a decrease in sales, which will lead to a decline in revenue	Medium	Large	• Improvement of work site environment • Further promotion of labor saving and other work efficiency improvements

Opportunities	The shift to EVs will increase demand for products suitable for EV vehicles, as well as demand for components required for the manufacturing process of EV parts	Large	Small	• Strengthen supply structure of products for EVs • Promote development of new technologies (products)
	Demand for high-frequency heat treatment will increase, as it improves product durability and strength and contributes to CO_2 reduction compared to conventional gas carburization	Medium	Medium	• Promote development of new technologies (products) • Promote sales activities for products and services
	Expanding sales opportunities for products for labor-saving, low rebar-loading construction	Large	Medium	• Expand sales to real estate and construction companies
	Increased ESG investment will draw interest and get appreciation when environmental impacts are reduced through business operations	Large	Medium	• Strengthen R&D • Initiatives for internal penetration • Acquisition of certification • Promote disclosure
	Demand for civil engineering-related products will grow as extreme weather events intensify and facilities and infrastructure are strengthened in preparation for disasters	Medium	Large	• Expand sales and strengthen supply system for civil engineering-related products

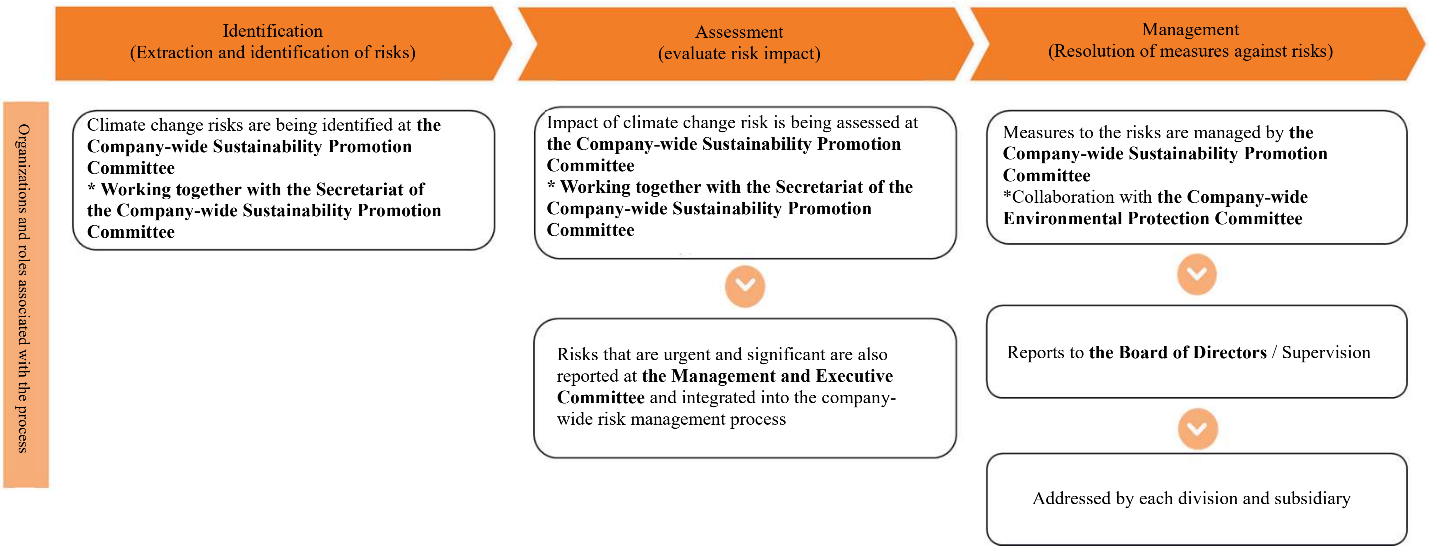
(Basis for calculation of quantitative financial impact)

*1 Estimated by multiplying the domestic Group Scope 1 and 2 emissions as of 2030 by the carbon price per ton of CO_2.

*2 The maximum amount of damage is estimated. The breakdown is "profit loss due to suspension of operations," "amount of damage to depreciable assets," and "rate of damage to buildings. Inundation risk for each of the Group's domestic bases is identified using hazard maps.

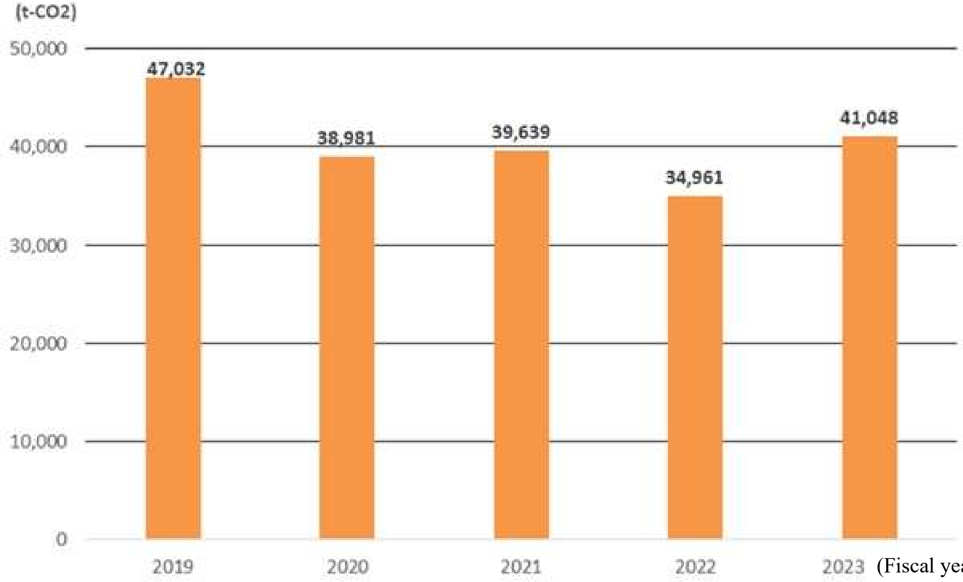
3) Risk Management

Risks related to climate change are being identified and assessed their impact by the Company-wide Sustainability Promotion Committee with the support of the Secretariat. Especially that are deemed urgent and significant ones are reported to the Management and Executive Committee. The Company-wide Sustainability Promotion Committee also works with the Company-wide Environmental Protection Committee to resolve measures to address significant risks and monitor the progress of such measures. The details are reported to the Board of Directors on a regular basis. However, the contents are to be confirmed at the Company-wide Sustainability Promotion Committee with the participation of all members of the Board of Directors.



4) Indicator and Targets

We are calculating greenhouse gas emissions as indicator for assessing climate change-related risks. The calculation covers non-consolidated Scope 1 and Scope 2 emissions through FY2023. We have made progress in reducing emissions through the promotion of energy-saving activities to date, and have also started initiatives such as the installation of solar power generation systems. We will continue to monitor greenhouse gas emissions, expand the scope of coverage, and implement initiatives to reduce emissions.



Changes in CO_2 emissions (Scope 1 and 2 emissions)

*1 Scope 2 emissions in the total values are based on market standards.
*2 Scope 1 emissions other than energy related CO_2 are excluded because their ratio to the total is very small.
*3 The use of gasoline in company vehicles is also included in the scope of calculation from FY2022.

Targets

In our long-term management vision "NETUREN VISION 2030," we have set a target of "30% reduction of CO_2 emissions by 2030 (compared to fiscal 2013) and virtually zero emissions by 2050." Each plant and office is taking the lead in reducing CO_2 emissions under the company-wide promotion system to achieve the target.

(3) Human capital

1) Strategy

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

(Policies of personnel development including measures to expand diversity)

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 with self-motivation, and boldly challenging mindset.”

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.

2) Metrics and Targets

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 "1) 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 Company and 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	13.28 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 2024 was 2.4%, which was 1.2 times higher than FY 2022.

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 Group has developed businesses in automobiles, civil engineering, construction, construction machinery, and machine tools, and has undertaken capital investments to expanding production capacity including overseas to meet to demands from our customers in each industry.

However, if the political and economic situations would get worse than anticipated or unforeseen circumstances happen by natural disasters, unseasonable weather, and the spread of infections, demand from our customers may decline and the burden of fixed costs such as personnel expenses and depreciation become relatively larger, and thus they may have an impact on the Group's business performance. Moreover, it may cause impairment losses as it might be impossible to recover the capital investment.

We will swiftly implement appropriate measures to address the risk of order decline considering with not only the trends of the industries and local markets where the Group supplies products, political and economic situations, but also the demands from our customers. Specifically, we will promote strong cost reduction in production to build a resilient business structure to adjust to demand fluctuation by the developed production innovation from our existing knowhow and the additional experience during the COVID-19 pandemic. To achieve this, we will develop versatile multi-skilled workers to promote the appropriate staffing including those in back-office divisions. We will also invest in automated and labor savings equipment. Furthermore, when making capital investments, we have established a system for making careful decisions based on our internal regulations, such as the "Investment Guidelines."

(2) Risks related to product quality

The Group provides products, mainly for automobiles, civil engineering and construction, construction machinery, and machine tools. 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 risk related to product quality, we are striving to prevent non-conformity through trend management of quality indicators especially for high strength products by cross-group organization of quality assurance in the Quality Assurance Headquarters, based on corporate quality management systems, including International Standard ISO 9001.

(3) Risks related to electricity rates

Processes induction heating 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. The rise of electricity rates along with soaring resource and energy prices may have a significant impact on the Group’s business performance.

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

(4) Risks related to the prices of materials and logistics

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 might also become difficult to obtain the enough materials to meet with our customer’s demand. Furthermore, factors such as the driver shortage and the increase of transportation costs in the logistics industry may have an impact on the Group’s business performance.

Concerning the risks related to the procurement of materials and logistics, we will try to mitigate them by passing on cost hikes to selling prices. In terms of procurement, the Global Procurement Headquarters will continue to lead efforts to secure stable supply in both volume and cost, while at the same time, promoting environmentally-friendly and efficient transportation management and continuous cost reductions.

(5) Risks related to global business expansion

The Group has developed global businesses, and must recognize a wide range of risks, from the political and economic climates to legal and regulatory systems, customs, and public security in the countries they operate in. Global businesses require large investments and are affected by foreign exchange fluctuations.

Unanticipated changes in the political and economic climates, changes in legal and regulatory systems, drastic fluctuations of the financial and foreign exchange markets, or other changes in the countries we operate in may have a significant impact on the Group’s business performance.

To address the risks related to global business expansion, we will establish a framework that enables the business division in charge coordinating with the Business Planning and Development Headquarters, the Administrative Headquarters, the Corporate Planning Office, 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, the Japanese economy continued to recover gradually, with employment growth and income increase driven by improved corporate performance. However, the economic outlook remains uncertain because of remaining high energy and raw material prices, exchange rate fluctuations, slowdown of the Chinese economy, increasing geopolitical risks and concerns for a worldwide economic downturn due to the U.S. policy of raising tariffs.

Under these circumstances, the Group has been trying to achieve the numerical targets of the 16th medium-term management plan “Aggressive Challenge One NETUREN 2026” (a plan covering the three years from April 2024 to March 2027), which is based on four basic strategies:

1) Technology development: Create new drivers to grow

2) Business: Generate growth engines

3) Global: Expand market globally

4) Human resources: Develop employees with self-motivation at work

However, the downturn in the construction industry, construction machinery industry, and machine tool industry—our group's major clients—has impacted our performance.

As a result, sales for this consolidated fiscal year were ¥57,563 million (up 0.6% year on year), despite a decline in sales volume due to sluggish market conditions of our operating industry. The reasons of gain were, successful passing on the increased costs to sales prices, and increased sales income in overseas consolidated subsidiaries due to depreciation of Japanese yen.

Operating profit was ¥1,617 million (down 0.9% year on year), due to a decline in production volume at our Group's manufacturing bases which caused an increase in fixed costs, and ordinary profit was ¥2,321 million (down 7.6% year on year).

Profit attributable to owners of parent was ¥1,815 million (up 17.7% year on year), including the recording of a gain by sale of investment securities of ¥1,217 million and an impairment loss on fixed assets of ¥712 million.

The Group will work hard to increase orders to improve profits, as well as proactively engage in sales activities including passing on high costs to sales prices, and to continue with thorough cost reduction activities, thereby striving to improve our corporate value.

Results by business segment are as follows.

1) Specialty Steel and Wire Products Division

Sales of civil engineering and construction-related products continued to be affected by the sluggish construction industry, labor shortages, and delays in the start of construction work due to rising costs of construction materials. However, sales increased compared to the same period last year due to an increase in the number of construction projects in which our high-strength shear reinforcement bars were used and successful passing on the increased costs to all sales prices.

Domestic sales of the high-strength spring steel wire for automobile-related products were deteriorated by a decline of supporting work for some customers in the last quarter of the fiscal year, exports sales were reduced as well. As for overseas sales, because of the economic downturn, major customers' production volumes decreased in China. Meanwhile in the United States and the Czech Republic, successful development of new customers and new applications contributed to increase sales, and the Group's overall sales of high-strength spring steel wire increased compared to the same period last year.

Sales of automobile and motorcycle related products other than high-strength spring steel wires fell significantly due to the finish or suspension of production of some mass-produced models which our products were installed.

Sales of construction machinery-related products decreased compared to the same period last year due to the continued sluggish construction market in Japan and China.

Regarding profits, a significant decline in sales volume of products related to automobiles and motorcycles other than high-strength spring steel wire and products related to construction machinery caused an increase in fixed costs and resulted in a deterioration in profitability. However, an increase in the number of construction projects in which our high-strength shear reinforcement bars were used and the successful passing on of the increased costs to sales prices brought about an increase in profits compared to the same period of the previous year.

As a result, net sales were ¥36,568 million (down 0.7% year-on-year), and operating profit was ¥180 million (up 45.3% year-on-year).

2) Induction Heating Division

Sales of the induction heat treatment-related services decreased from the final quarter of the fiscal year due to the impact of reduced production of automobile manufacturers that use our group's contract processing products. The production volume of major customers in the construction machinery and machine tool industries also did not increase, and our sales decreased compared to the same period last year.

Sales of the induction heating equipment related products increased compared to the same period last year due to steady capital investment of our customers which made up for the decrease in sales of heat treatment contract processing services.

Profit reduced compared to the same period last year, because the equipment business was unable to fully compensate the increase of fixed costs which happened by reduced production in the automobile-related industry in the final quarter of the fiscal year and reduced production volume due to sluggish demand in the construction machinery and machine tool industries.

As a result, sales were ¥20,851 million (up 3.0% year on year) and operating profit was ¥1,377 million (down 4.9% year on year).

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, sales were ¥143 million (up 1.7% year on year), and operating profit was ¥56 million (up 1.8% 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	32,424	100.0
Induction Heating Division	14,465	92.6
Total	46,889	97.6

(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	36,090	98.2	3,160	86.9
Induction Heating Division (Induction Heating Equipment Related Business)	6,923	90.1	5,013	80.5

(Notes) 1. The Induction Heat Treatment Service Related Business in the Induction Heating Division are mainly comprised by 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	36,568	99.3
Induction Heating Division	20,851	103.0
Other	143	101.7
Total	57,563	100.6

(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 current consolidated fiscal year were ¥83,760 million (up 3.9% year on year). This was mainly due to an increase in cash and deposits because of borrowing long-term funds from financial institutions, etc., mainly for the purpose of capital investment, despite a decrease in account receivable.

Total liabilities at the end of the current consolidated fiscal year were ¥17,431 million (up 23.3% year on year), mainly due to a decrease in accounts payable, but an increase in borrowings.

Net assets at the end of the current consolidated fiscal year were ¥66,329 million (down 0.2% year on year). This was mainly due to dividend payments and share buybacks, despite an increase in foreign currency translation adjustments due to the weak Japanese yen.

As a result, the equity ratio as of the end of the fiscal year under review was 71.1%.

(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 ¥17,580 million (an increase of ¥2,770 million from the end of the previous fiscal year), the breakdown of which is as follows.

(Cash Flows from Operating Activities)

Net cash inflows by operating activities amounted to ¥4,107 million (¥4,193 million in net cash inflows in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥2,818 million and a decrease in trade payables of ¥1,973 million.

(Cash Flows from Investing Activities)

Net cash outflows in investing activities were ¥3,404 million (¥1,647 million in net cash outflows in the previous fiscal year).

This was mainly due to the purchase of property, plant and equipment of ¥2,653 million and purchase of long-term prepaid expenses of ¥143 million.

(Cash Flows from Financing Activities)

Net cash inflows by financing activities were ¥1,713 million (¥5,080 million in net cash outflows in the previous fiscal year).

This was mainly due to inflows by long-term borrowings of ¥6,050 million in spite of a purchase of treasury shares of ¥2,000 million and dividends paid of ¥1,785 million.

(Reference) Trends in cash flow-related indicators

	Fiscal years ended March 31	
	2024	2025
Equity ratio	74.4	71.1
Equity ratio based on market value	50.3	39.6
Interest-bearing debt to cash flow ratio	0.2	1.7
Interest coverage ratio	73.4	58.7

(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) 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. The significant accounting policy adopted in the preparation of the consolidated financial statements is described in “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.

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 from these assets or asset groups. If the total of the estimated undiscounted cash flows falls less than the booked value, the Group reduces them to the recoverable amount and records impairment losses equivalent to this reduction. The Group carefully evaluate the indications of impairment and check if it is necessary to increase booked losses or add new ones due to changes of the business plans or economic environment, etc.

(Recoverability of deferred tax assets)

The Group books deferred tax assets for the amount considered highly likely to be recoverable. The necessity and necessary amount of them are carefully estimated by the future taxable income for each taxing entity and the expected recoverability. However, it is possible that they are increased or reversed 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 funded by internal resources. However, when large-scale investments are required, we may allocate outside resources depending on the situation such as the establishment of new subsidiaries, the acquisition of companies through M&A, or the construction of new plants.

Capital investments for the current consolidated fiscal year totaled 2,716 million yen which was less than a budget, due to the delays in the some large-scale projects at overseas bases that are carried over to the next fiscal year. 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, it included equipment to increase production capacity at NETUREN AMERICA CORPORATION.

Capital investments in this segment totaled ¥1,049 million.

(Induction Heating Division)

The Induction Heating Division mainly invested in increasing production capacity and rationalization. Specifically, it included equipment to increase production capacity at PT. NETUREN INDONESIA.

Capital investments in this segment totaled ¥1,545 million.

(Other)

Other capital investments were mainly associated with research and development.

Capital investments in this segment totaled ¥71 million.

Corporate capital investments of ¥50 million were made in addition to the above.

The Group is actively installing solar power generation systems to reduce CO_2 emissions.

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

(1) New establishment of material equipment, etc.

Specialty Steel and Wire Products Division plans to invest in new equipment mainly associated with rationalization, expanding sales channels, increasing production capacity, and renewing existing equipment.

Induction Heating Division plans to invest in new equipment mainly associated with rationalization, expanding sales channels, increasing production capacity, and renewing existing equipment.

In addition, the whole Group companies are 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 ¥6,500 million. The Company plans to raise funds for this purpose by selecting the most appropriate means of financing for each case, but in principle, we will use our own funds or capital investment funds borrowed from financial institutions and other sources.

The Company will implement each capital investment project after strictly examining its efficiency.

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	2,100	Investment in rationalization, expanding sales channels, increasing production capacity, renewing existing equipment, etc.
Induction Heating Division	3,800	Investment in rationalization, expanding sales channels, increasing production capacity, renewing existing equipment, etc.
Total for reportable segments	5,900	
Other	300	Investment in research and development equipment, etc.
Corporate	300	Investment in human resources development, IT and digital transformation (DX), etc.
Total	6,500	

(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, 2025)	Number of issued shares as of the date of submission (June 27, 2025)	Name of financial instruments exchange or authorized financial instruments firms association where the Company's shares are listed	Details
Common shares	34,495,400	34,495,400	Tokyo Stock Exchange Prime Market	Number of shares in each trading unit 100
Total	34,495,400	34,495,400	–	–

(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
February 21, 2024	(1,539,800)	37,138,900	–	6,418	–	1,535
March 21, 2025	(2,643,500)	34,495,400	–	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 9, 2024) (Purchase period: May 10, 2024 to March 31, 2025)	2,500,000	2,000,000,000
Treasury shares purchased before the fiscal year under review	–	–
Treasury shares purchased during the fiscal year under review	1,948,500	1,999,968,600
Total number and value of shares remaining from the resolution	551,500	31,400
Proportion remaining unexecuted at the end of the fiscal year under review (%)	22.06	0.00
Treasury shares purchased during the current period	–	–
Proportion remaining unexecuted as of the submission date (%)	22.06	0.00

Category	Number of shares	Total amount (yen)
Resolution of the Board of Directors (May 12, 2025) (Purchase period: May 13, 2025 to March 31, 2026)	2,700,000	2,000,000,000
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	109,000	115,774,300
Proportion remaining unexecuted as of the submission date (%)	95.96	94.21

(Note) Treasury shares purchased during the current period do not include treasury shares purchased during the period from June 1, 2025, 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	197	208,670
Treasury shares purchased during the current period	20	21,280

(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, 2025, 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	2,643,500	2,582,805,240	–	–
Purchased treasury shares that were transferred through merger, exchange of shares, delivery of shares, or company split	–	–	–	–
Other (Disposed of as restricted stock compensation)	37,900	36,005,000	–	–
Other (Sold in response to requests for the sale of fractional shares less than one trading unit)	–	–	–	–
Treasury shares held	202,180	–	311,200	–

(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, 2025, 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, 2025, to the date of submission of this annual securities report.

3. Dividend Policy

The Company has set the basic policy of stable distribution of dividends to shareholders, while seeking strategic investments toward growth and stable business management.

"Stable dividends" is defined as a dividend on equity (DOE) rate of 3.0% or more.

The year-end dividend (ordinary dividend) for the fiscal year ended March 31, 2025, was decided on a total annual dividend of ¥51 per share (including the interim dividend of ¥25) considering importance on shareholder returns and based on a comprehensive business performance, financial conditions, and other factors. As a result, the consolidated dividend payout ratio for the fiscal year 2024 was 98.8% and the consolidated dividend on equity was 3.0%.

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, 2024 Resolution of the Board of Directors	880	25.0
June 26, 2025 Resolution of the Annual Shareholders' Meeting	891	26.0

According to our existing basic policy, we will pursue to achieve our target balance sheet and ROE of 8.0%, as well as PBR of 1.0 or more at the earliest possible time. We also have decided to change our dividend on equity (DOE) ratio from 3.0% or more to 4.0% or more, to enhance shareholder returns further in accordance with our "stable dividend" guideline

As for dividends for the next fiscal year, although the business environment is uncertain, we plan to pay an interim dividend of 33 yen per share, a year-end one of 34 yen, and an annually 67 yen, based on our revised basic dividend guideline.

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 the Japanese 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 the Japanese 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 its financial statements are prepared 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, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	15,904	19,143
Notes and accounts receivable - trade, and contract assets	12,707	11,640
Electronically recorded monetary claims - operating	4,124	3,605
Securities	276	269
Merchandise and finished goods	1,159	1,541
Work in process	2,845	1,967
Raw materials and supplies	3,471	3,623
Other	1,430	3,227
Allowance for doubtful accounts	(166)	(234)
Total current assets	41,753	44,785
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,865	23,812
Accumulated depreciation	(15,095)	(15,778)
Buildings and structures, net	7,769	8,034
Machinery, equipment and vehicles	52,117	53,162
Accumulated depreciation	(46,229)	(47,282)
Machinery, equipment and vehicles, net	5,888	5,879
Land	9,940	9,909
Leased assets	576	588
Accumulated depreciation	(238)	(285)
Leased assets, net	338	303
Construction in progress	1,767	1,783
Other	2,916	2,985
Accumulated depreciation	(2,552)	(2,598)
Other, net	363	387
Total property, plant and equipment	26,067	26,297
Intangible assets		
Leasehold interests in land	925	982
Other	102	85
Total intangible assets	1,027	1,067
Investments and other assets		
Investment securities	9,984	9,857
Long-term loans receivable	18	20
Retirement benefit asset	0	244
Deferred tax assets	92	86
Other	1,747	1,478
Allowance for doubtful accounts	(78)	(77)
Total investments and other assets	11,765	11,610
Total non-current assets	38,860	38,975
Total assets	80,613	83,760

(Million yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,958	3,337
Electronically recorded obligations - operating	4,149	2,125
Short-term borrowings	670	1,947
Lease liabilities	107	81
Income taxes payable	542	389
Provision for bonuses	685	646
Provision for bonuses for directors (and other officers)	13	17
Provision for share awards for directors (and other officers)	17	7
Other	2,648	2,652
Total current liabilities	12,794	11,205
Non-current liabilities		
Long-term borrowings	16	4,846
Lease liabilities	379	358
Deferred tax liabilities	626	769
Provision for share awards for directors (and other officers)	8	8
Retirement benefit liability	36	80
Other	280	163
Total non-current liabilities	1,348	6,225
Total liabilities	14,142	17,431
Net assets		
Shareholders' equity		
Share capital	6,418	6,418
Capital surplus	1,725	1,714
Retained earnings	46,397	43,850
Treasury shares	(816)	(197)
Total shareholders' equity	53,724	51,785
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,392	2,528
Foreign currency translation adjustment	3,547	4,815
Remeasurements of defined benefit plans	341	411
Total accumulated other comprehensive income	6,281	7,755
Non-controlling interests	6,465	6,788
Total net assets	66,471	66,329
Total liabilities and net assets	80,613	83,760

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	57,205	57,563
Cost of sales	47,354	47,217
Gross profit	9,850	10,346
Selling, general and administrative expenses		
Selling expenses	2,774	3,085
General and administrative expenses	5,443	5,642
Total selling, general and administrative expenses	8,218	8,728
Operating profit	1,632	1,617
Non-operating income		
Interest income	140	125
Dividend income	186	188
Subsidy income	1	-
Subsidy income	3	3
Insurance claim and dividend income	83	14
Share of profit of entities accounted for using equity method	140	157
Gain on sale of scraps	165	129
Foreign exchange gains	138	13
Other	90	179
Total non-operating income	951	811
Non-operating expenses		
Interest expenses	57	69
Depreciation of inactive non-current assets	4	23
Other	11	14
Total non-operating expenses	72	108
Ordinary profit	2,511	2,321
Extraordinary income		
Gain on sale of non-current assets	14	11
Gain on sale of investment securities	285	1,217
Insurance claim income	8	12
Subsidy income	13	20
Other	2	1
Total extraordinary income	324	1,263
Extraordinary losses		
Loss on sale of non-current assets	-	3
Loss on retirement of non-current assets	17	46
Impairment losses	-	712
Loss on sale of investment securities	77	0
Compensation for damage	90	-
Other	4	4
Total extraordinary losses	189	766

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit before income taxes	2,645	2,818
Income taxes - current	696	572
Income taxes - deferred	(105)	29
Total income taxes	590	602
Profit	2,055	2,216
Profit attributable to		
Profit attributable to owners of parent	1,542	1,815
Profit attributable to non-controlling interests	512	400
Other comprehensive income		
Valuation difference on available-for-sale securities	488	117
Foreign currency translation adjustment	1,202	1,718
Remeasurements of defined benefit plans, net of tax	174	70
Share of other comprehensive income of entities accounted for using equity method	261	10
Total other comprehensive income	2,127	1,916
Comprehensive income	4,182	4,132
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,427	3,289
Comprehensive income attributable to non-controlling interests	755	842

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2023	6,418	1,627	47,639	(688)	54,997
Changes of items during period					
Dividends of surplus			(1,447)		(1,447)
Profit attributable to owners of parent			1,542		1,542
Purchase of treasury shares				(1,500)	(1,500)
Disposal of treasury shares		6		28	34
Cancellation of treasury shares		(1,344)		1,344	–
Transfer from retained earnings to capital surplus		1,337	(1,337)		–
Change in ownership interest of parent due to transactions with non-controlling interests		98			98
Capital increase of consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes of items during period	–	98	(1,242)	(127)	(1,272)
Balance at March 31, 2024	6,418	1,725	46,397	(816)	53,724

	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, 2023	1,868	2,361	167	4,397	7,155	66,549
Changes of items during period						
Dividends of surplus						(1,447)
Profit attributable to owners of parent						1,542
Purchase of treasury shares						(1,500)
Disposal of treasury shares						34
Cancellation of treasury shares						–
Transfer from retained earnings to capital surplus						–
Change in ownership interest of parent due to transactions with non-controlling interests						98
Capital increase of consolidated subsidiaries						–
Net changes in items other than shareholders' equity	524	1,185	174	1,884	(690)	1,194
Total changes of items during period	524	1,185	174	1,884	(690)	(78)
Balance at March 31, 2024	2,392	3,547	341	6,281	6,465	66,471

Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2024	6,418	1,725	46,397	(816)	53,724
Changes of items during period					
Dividends of surplus			(1,785)		(1,785)
Profit attributable to owners of parent			1,815		1,815
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares		5		36	41
Cancellation of treasury shares		(2,582)		2,582	–
Transfer from retained earnings to capital surplus		2,577	(2,577)		–
Change in ownership interest of parent due to transactions with non-controlling interests					
Capital increase of consolidated subsidiaries		(10)			(10)
Net changes in items other than shareholders' equity					
Total changes of items during period	–	(10)	(2,546)	618	(1,393)
Balance at March 31, 2025	6,418	1,714	43,850	(197)	51,785

	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, 2024	2,392	3,547	341	6,281	6,465	66,471
Changes of items during period						
Dividends of surplus						(1,785)
Profit attributable to owners of parent						1,815
Purchase of treasury shares						(2,000)
Disposal of treasury shares						41
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					10	–
Net changes in items other than shareholders' equity	135	1,267	70	1,473	312	1,785
Total changes of items during period	135	1,267	70	1,473	323	(141)
Balance at March 31, 2025	2,528	4,815	411	7,755	6,788	66,329

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	2,645	2,818
Depreciation	2,377	2,334
Impairment losses	-	712
Increase (decrease) in allowance for doubtful accounts	(94)	54
Increase (decrease) in provision for bonuses	127	(39)
Decrease (increase) in retirement benefit asset	2	(244)
Increase (decrease) in retirement benefit liability	(75)	153
Interest and dividend income	(327)	(313)
Interest expenses	57	69
Foreign exchange losses (gains)	(85)	0
Share of loss (profit) of entities accounted for using equity method	(140)	(157)
Loss (gain) on sale of property, plant and equipment	(14)	(8)
Loss (gain) on disposal of property, plant and equipment	17	46
Loss (gain) on sale of investment securities	(208)	(1,217)
Decrease (increase) in trade receivables	(1,617)	1,973
Decrease (increase) in inventories	(392)	640
Increase (decrease) in trade payables	745	(2,771)
Decrease (increase) in advance payments to suppliers	644	47
Increase (decrease) in accrued consumption taxes	(69)	130
Other, net	333	220
Subtotal	3,927	4,454
Interest and dividends received	383	379
Interest paid	(58)	(67)
Income taxes refund (paid)	(59)	(658)
Net cash provided by (used in) operating activities	4,193	4,107
Cash flows from investing activities		
Payments into time deposits	(1,646)	(2,004)
Proceeds from withdrawal of time deposits	1,641	1,564
Purchase of property, plant and equipment	(2,285)	(2,653)
Proceeds from sale of property, plant and equipment	16	34
Purchase of intangible assets	(244)	(28)
Purchase of investment securities	(4)	(4)
Proceeds from sale and redemption of investment securities	1,048	0
Loan advances	(17)	(47)
Proceeds from collection of loans receivable	16	12
Purchase of long-term prepaid expenses	(144)	(143)
Other, net	(27)	(134)
Net cash provided by (used in) investing activities	(1,647)	(3,404)

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from financing activities		
Proceeds from short-term borrowings	1,160	1,670
Repayments of short-term borrowings	(1,806)	(1,600)
Proceeds from long-term borrowings	-	6,050
Repayments of long-term borrowings	(109)	(13)
Purchase of treasury shares	(1,500)	(2,000)
Dividends paid	(1,447)	(1,785)
Dividends paid to non-controlling interests	(548)	(530)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(799)	-
Other, net	(28)	(77)
Net cash provided by (used in) financing activities	(5,080)	1,713
Effect of exchange rate change on cash and cash equivalents	433	353
Net increase (decrease) in cash and cash equivalents	(2,100)	2,770
Cash and cash equivalents at beginning of period	16,911	14,810
Cash and cash equivalents at end of period	14,810	17,580

[Notes]

(Notes on going concern assumption)

Not applicable.

(Important matters for preparing 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) Number of unconsolidated subsidiaries accounted by the equity method: 1

Company name:

Neturen Meinan Co., Ltd.

(2) Number of affiliated companies accounted for by applies the equity method: 4

Company names:

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

(3) Matters to be specially noted 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 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)

Other securities

Marketable securities

Booked 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)

Non-marketable securities

Booked at cost by the moving average method

2) Inventories

Mainly booked 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 declining balance method is mainly applied to the Company and its subsidiaries in Japan. 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 straight-line method is mainly applied to the Company's foreign subsidiaries.

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 recorded 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 recorded equal to the unrecoverable amount.

2) Provision for bonuses

Provision for bonuses is recorded based on the estimation 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 then revenue is booked.

For domestic sales transactions, revenue is booked at the time of shipment as far as interval is normal between shipment and customer's control of the products.

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 books a net amount equivalent to processing fees as revenue at the time when the products are sold back to the supplier.

Normally, cash is recovered within one year from customers without significant financial component after the Group fulfill its obligation.

(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 (in the fiscal year, after recognition of impairment losses)	6,482	3,755
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 (in the fiscal year, after recognition of impairment losses)	1	–
Impairment losses	–	712

(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 booked value to recoverable amount if the total amount of estimated pre-discounted future cash flows is below booked value, and records 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.
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, an impairment loss on tangible assets were recorded at the Company’s Kani Plant and Kani NH Plant. 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.

The economic outlook remains uncertain due to, for example, soaring energy and raw material prices, volatile currency fluctuations, concern about global recession due to the slowdown in the Chinese economy, and increasing geopolitical risks, as well as the U.S. policy of raising tariffs. Since it is expected to take some time for these concerns to be resolved, we anticipate that the unpredictable situation will continue for the foreseeable future which will affect the business performance of the Group.

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 account receivables and contract assets arising from contracts with customers in assets and the amount of contract liabilities in 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, 2024)	Fiscal year under review (March 31, 2025)
Investment securities (shares)	¥5,836 million	¥5,938 million

*3 Tax purpose reduction entry

Previous fiscal year (March 31, 2024)

(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, 2025)

(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.

*4 The notes due at the end of the fiscal year are financially booked on the day of clearing.

As the last day of the previous consolidated fiscal year was a holiday for financial institutions, the following total amount of notes maturing on the first day of fiscal year under review are included in the balance at the end of the previous consolidated fiscal year.

	Previous fiscal year (March 31, 2024)	Fiscal year under review (March 31, 2025)
Notes receivable	¥72 million	— million
Electronically recorded monetary claims	221	—
Electronically recorded obligations – operating	1,098	—

(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, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
¥(34) million	¥(18) million

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

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Transportation costs	¥1,541 million	¥1,705 million
Salaries	1,865	1,941
Provision for bonuses	229	232
Welfare expenses	729	712
Retirement benefit expenses	71	61
Research and development expenses	647	786
Provision of allowance for doubtful accounts	(21)	56

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

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Machinery, equipment and vehicles	¥14 million	¥11 million
Other property, plant and equipment	–	0
Total	14	11

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

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Machinery, equipment and vehicles	–	¥3 million
Total	–	3

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

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Buildings and structures	¥8 million	¥0 million
Machinery, equipment and vehicles	9	45
Construction in progress	–	1
Other property, plant and equipment	0	0
Total	17	46

*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, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
¥647 million	¥786 million

*8 Impairment losses

Previous fiscal year (from April 1, 2023 to March 31, 2024)

Not applicable.

Fiscal year under review (from April 1, 2024 to March 31, 2025)

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

Location	Purpose	Category of assets	Impairment losses
The Company’s Kani Plant (Kani-shi, Gifu)	Heat treatment equipment	Buildings and structures, machinery, equipment and vehicles, land, construction in progress, other	¥479 million
The Company’s Kani NH Plant (Kani-shi, Gifu)	Same as above	Buildings and structures, machinery, equipment and vehicles, other	¥233 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.

At our Kani plant, production volume decreased significantly due to the termination of production of some of mass-produced automobiles which our products are installed as parts, and the suspension of production of motorcycle parts due to the insolvency procedure of an overseas customer. As a result of a conservative review of our future business plan regarding this situation, we recognized a decline in profitability in our fixed assets and recorded an impairment loss.

The Company's Kani NH Plant is engaged in the contracted processing of automobile parts for a specific customer, but the volume of orders from this customer has decreased, and profitability has deteriorated. As a result of a conservative review of future business plans for this situation, an impairment loss was recorded because a decline in profitability of fixed assets was recognized.

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 (¥712 million).

The breakdown of impairment losses by asset was ¥158 million in buildings and structures, ¥473 million in machinery, equipment and vehicles, ¥52 million in land, ¥18 million in construction in progress, ¥9 million in other. The recoverable amount of fixed assets for both plants was measured based on their net realizable value. Buildings and land were evaluated based on real estate appraisals, and other assets were evaluated at zero.

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

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the fiscal year	¥874 million	¥2,137 million
Reclassification adjustments	(208)	(1,217)
Before corporate taxes and tax effect adjustments	666	919
Corporate taxes and tax effect amount	(177)	(802)
Valuation difference on available-for-sale securities	488	117
Foreign currency translation adjustment:		
Gains (losses) arising during the fiscal year	1,202	1,718
Reclassification adjustments	–	–
Before corporate taxes and tax effect adjustments	1,202	1,718
Corporate taxes and tax effect amount	–	–
Foreign currency translation adjustment	1,202	1,718
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) arising during the fiscal year	285	164
Reclassification adjustments	(34)	(54)
Before corporate taxes and tax effect adjustments	250	109
Corporate taxes and tax effect amount	(76)	(39)
Remeasurements of defined benefit plans, net of tax	174	70
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) arising during the fiscal year	261	10
Reclassification adjustments	–	–
Share of other comprehensive income of entities accounted for using equity method	261	10
Total other comprehensive income	2,127	1,916

(Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2023 to March 31, 2024)

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 (Note 1)	38,678	–	1,539	37,138
Total	38,678	–	1,539	37,138
Treasury shares				
Common shares (Note 2)	970	1,540	1,575	934
Total	970	1,540	1,575	934

(Notes)
1. The decrease of 1,539 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 1,540 thousand shares in the number of treasury shares was due to the purchase of 1,539 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 1,575 thousand shares in the number of treasury shares was due to the cancellation of 1,539 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 35 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, 2023 Annual Shareholders' Meeting	Common shares	565	15.0	March 31, 2023	June 29, 2023
November 8, 2023 Board of Directors meeting	Common shares	882	24.0	September 30, 2023	December 6, 2023

(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 26, 2024 Annual Shareholders' Meeting	Common shares	905	Retained earnings	25.0	March 31, 2024	June 27, 2024

Fiscal year under review (from April 1, 2024 to March 31, 2025)

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 (Note 1)	37,138	–	2,643	34,495
Total	37,138	–	2,643	34,495
Treasury shares				
Common shares (Note 2)	934	1,948	2,681	202
Total	934	1,948	2,681	202

(Notes)
1. The decrease of 2,643 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 1,948 thousand shares in the number of treasury shares was due to the purchase of 1,948 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 2,681 thousand shares in the number of treasury shares was due to the cancellation of 2,643 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 37 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 26, 2024 Annual Shareholders' Meeting	Common shares	905	25.0	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors meeting	Common shares	880	25.0	September 30, 2024	December 6, 2024

(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 26, 2025 Annual Shareholders' Meeting	Common shares	891	Retained earnings	26.0	March 31, 2025	June 27, 2025

(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, 2023 to March 31, 2024)	Fiscal year under review (April 1, 2024 to March 31, 2025)
Cash and deposits	¥15,904 million	¥19,143 million
Securities	276	269
Other current assets	128	248
Time deposits with deposit terms of over three months	(1,499)	(2,081)
Cash and cash equivalents	14,810	17,580

(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, 2024)	Fiscal year under review (March 31, 2025)
Deferred tax assets		
Inventories	¥65 million	¥75 million
Property, plant and equipment	–	3
Elimination of internal profits from transactions between consolidated companies	126	109
Intangible assets	14	23
Investment securities	5	29
Allowance for doubtful accounts	121	138
Enterprise tax payable	27	33
Provision for bonuses	242	229
Share-based compensation expenses	32	34
Retirement benefit liability	165	104
Retirement benefits payable to directors (and other officers)	4	2
Environmental expenses	4	5
Impairment losses	1,245	1,285
Tax loss carried forward (Note)	576	686
Other	124	103
Deferred tax assets - subtotal	2,757	2,865
Valuation allowance for tax loss carried forward (Note)	(472)	(641)
Valuation allowance for total of deductible temporary difference	(925)	(794)
Valuation allowance - subtotal	(1,397)	(1,435)
Total deferred tax assets	1,360	1,430
Deferred tax liabilities		
Reserved profits of consolidated subsidiaries and others	(569)	(604)
Replacement of specific assets	(323)	(329)
Reserve for special depreciation	(14)	(17)
Depreciation at overseas subsidiaries	(155)	(235)
Valuation difference on available-for-sale securities	(702)	(790)
Gain on contribution of securities to retirement benefit trust	(70)	(72)
Other	(57)	(63)
Total deferred tax liabilities	(1,894)	(2,113)
Net deferred tax assets (liabilities)	(533)	(682)

(Note) Amounts of tax loss carried forward and its deferred tax assets by each carryover limit

Previous fiscal year (March 31, 2024)

(Million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carried forward (a)	15	50	12	70	52	374	576
Valuation allowance	(15)	(50)	(12)	(70)	(52)	(270)	(472)
Deferred tax assets	–	–	–	–	–	103	103

(a) Tax loss carried forward is the amount multiplied by the effective statutory tax rate.

Fiscal year under review (March 31, 2025)

(Million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carried forward (b)	52	13	72	53	26	468	686
Valuation allowance	(52)	(13)	(72)	(53)	(26)	(423)	(641)
Deferred tax assets	–	–	–	–	–	45	45

(b) Tax loss carried forward is the amount multiplied by the effective statutory tax rate.

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, 2024)	Fiscal year under review (March 31, 2025)
Effective statutory tax rate	30.6 %	30.6 %
(Adjustments)		
Entertainment expenses and other expenses not deductible for tax purposes	0.4	0.4
Dividend income and other income not included in taxable income	(8.7)	(6.3)
Share of profit or loss of entities accounted for using equity method	(1.4)	(1.7)
Dividends from consolidated subsidiaries	11.1	7.7
Change in valuation allowance	(0.4)	1.3
Per-capita allotment of resident tax	1.6	1.4
Reserved profits of overseas subsidiaries and others	1.2	1.2
Adjustment of deferred tax assets at end-of-period due to changes in tax rate	–	(1.7)
Tax rate differences with overseas subsidiaries	(6.8)	(5.1)
Tax credits	(4.2)	(6.9)
Other	(1.2)	0.4
Tax rate after the application of tax effect accounting	22.3	21.3

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Civil engineering and construction-related products	10,523	–	10,523	–	10,523
Automobiles-related products	21,272	–	21,172	–	21,172
Construction equipment-related products	3,468	–	3,468	–	3,468
Induction heat treatment service-related business	–	13,948	13,948	–	13,948
Induction heating equipment-related business	–	6,285	6,285	–	6,285
Other	1,657	7	1,665	1	1,667
Revenue from contracts with customers	36,822	20,241	57,064	1	57,065
Revenue from other sources (Note 2)	–	–	–	139	139
Net sales to external customers	36,822	20,241	57,064	140	57,205

(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, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Civil engineering and construction-related products	11,263	–	11,263	–	11,263
Automobiles-related products	20,595	–	20,595	–	20,595
Construction equipment-related products	3,209	–	3,209	–	3,209
Induction heat treatment service-related business	–	12,987	12,987	–	12,987
Induction heating equipment-related business	–	7,850	7,850	–	7,850
Other	1,500	13	1,514	0	1,514
Revenue from contracts with customers	36,568	20,851	57,420	0	57,420
Revenue from other sources (Note 2)	–	–	–	142	142
Net sales to external customers	36,568	20,851	57,420	143	57,563

(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. Fundamental information to understand revenue from contracts with customers

Fundamental information to understand 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. Information about notes and accounts receivables in the fiscal year under review and next year including contract assets and liabilities expected to be booked in balance sheet after fulfillment of obligations.

(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	1,228	1,187
Accounts receivable - trade	10,325	11,358
	11,554	12,545
Receivables from contracts with customers (closing balance)		
Notes receivable - trade	1,187	975
Accounts receivable - trade	11,358	10,463
	12,545	11,438
Contract assets (opening balance)	92	162
Contract assets (closing balance)	162	201
Contract liabilities (opening balance)	520	718
Contract liabilities (closing balance)	718	693

(Notes)

1. Of the revenue recognized in the previous fiscal year, ¥517 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, ¥702 million was included in the opening balance of contract liabilities in the fiscal year under review.
2. Contract assets are mainly related to the receivable accounts of the Induction Heating Equipment Related Business, regarding the 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 advanced payment from customers in the Induction Heating Equipment Related Business. Contract liabilities are drawn down once revenue is confirmed.

(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 of variable price in the 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.

There are two business divisions in the Company, the "Specialty Steel and Wire Products Division" and "Induction Heating Division." Each one cooperates with organizations such as the Corporate Planning Office, 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 they handle and carry out business activities accordingly. In addition, our affiliated companies are operated 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, 2024 (from April 1, 2023 to March 31, 2024)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	36,822	20,241	57,064	140	57,205
Inter-segment net sales or transfers	–	23	23	–	23
Total	36,822	20,265	57,087	140	57,228
Segment profit	123	1,448	1,572	55	1,628
Segment assets	33,362	25,944	59,307	1,819	61,127
Other items					
Depreciation	1,182	1,181	2,364	13	2,377
Increase in property, plant and equipment and intangible assets	1,245	1,041	2,287	279	2,566

(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, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	36,568	20,851	57,420	143	57,563
Inter-segment net sales or transfers	–	44	44	–	44
Total	36,568	20,896	57,465	143	57,608
Segment profit	180	1,377	1,557	56	1,613
Segment assets	32,611	26,483	59,095	1,751	60,847
Other items					
Depreciation	1,200	1,100	2,301	13	2,314
Increase in property, plant and equipment and intangible assets	1,049	1,545	2,594	71	2,666

(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, 2024	For the fiscal year ended March 31, 2025
Total amount of reportable segment	57,087	57,465
Net sales in "Other" category	140	143
Elimination of intersegment transactions	(23)	(44)
Net sales in consolidated financial statements	57,205	57,563

(Million yen)

Profit	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Total amount of reportable segment	1,572	1,557
Profit in "Other" category	55	56
Elimination of intersegment transactions	4	3
Operating income in consolidated financial statements	1,632	1,617

(Million yen)

Assets	As of March 31, 2024	As of March 31, 2025
Total amount of reportable segment	59,307	59,095
Assets in "Other" category	1,819	1,751
Corporate assets (Note)	19,507	22,925
Elimination of intersegment transactions	(21)	(12)
Total assets in consolidated financial statements	80,613	83,760

(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, 2024	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Depreciation	2,364	2,301	13	13	0	20	2,377	2,334
Increase in property, plant and equipment and intangible assets	2,287	2,594	279	71	59	50	2,626	2,716

(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, 2024 (from April 1, 2023 to March 31, 2024)

1 Information about products and services

(Million yen)

	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment service-related business	Induction heating equipment-related business	Others	Total
Sales Customers	10,523	21,172	3,468	13,948	6,285	1,806	57,205

2 Information about geographical areas

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	36,350	11,535	1,192	5,130	2,841	154	57,205

(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	18,362	3,310	531	1,983	1,431	448	26,067

3 Information for each important customer

Not applicable.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

1 Information about products and services

(Million yen)

	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment service-related business	Induction heating equipment-related business	Others	Total
Sales Customers	11,623	20,595	3,209	12,987	7,850	1,657	57,563

2 Information about geographical areas

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	35,154	11,446	1,305	6,038	3,323	295	57,563

(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	17,657	3,317	920	2,666	1,329	405	26,297

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, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	479	233	712	–	712

(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, 2024 (from April 1, 2023 to March 31, 2024)

Not applicable.

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

(Per share information)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net assets per share	¥1,657.44	¥1,736.23
Basic earnings per share	¥41.91	¥51.59

(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, 2024	For the fiscal year ended March 31, 2025
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	1,542	1,815
Amount not attributed to common shareholders (Million yen)	–	–
Profit attributable to owners of parent related to common shares (Million yen)	1,542	1,815
Average number of shares outstanding during the fiscal year (Shares)	36,812,619	35,197,831

(Significant subsequent events)

（The acquisition of shares resulted in the establishment of an additional consolidated subsidiary）

At the Board of Directors meeting held on April 4, 2025, the Company resolved to acquire shares of Dohken Co., Ltd. (headquarters: Iizuka City, Fukuoka Prefecture) and make it a subsidiary. The Company executed the resolution on April 10, 2025.

(1) Overview of the business combination

1) Name and a description of business of the acquiree
Name of the acquiree: Dohken Co., Ltd.
Description of business: Manufacture and sale of precast concrete products

2) Reasons for conducting the business combination

Dohken Co., Ltd. manufactures and sells high-quality precast concrete products, and Neturen Group believes that demand for precast concrete products will increase in terms of shortening of construction period and achieving better quality control at construction sites.

The decision to acquire the shares is made based on the expectation of synergistic effects of this new consolidated subsidiary through mutually complementary collaboration that leverages the strengths of each company.

3) Date of the business combination
April 10, 2025

4) Legal form of the business combination
Stock acquisition

5) Name of the company after the business combination
There was no change in the name of the company.

6) Ratio of voting rights acquired
58.3% (35,000 shares out of a total of 60,000 shares with voting rights)

The Company plans to acquire an additional 15,000 shares in July 2025, and the ratio of voting rights after the additional acquisition is expected to be 83.3%.

7) Primary basis for determining the acquirer
The fact that the Company has acquired the shares in exchange for cash.

(2) Acquisition cost of the acquiree and breakdown thereof by type of consideration

Consideration for the acquisition:	Cash	1,908 million yen
Acquisition cost:		1,908 million yen

(3) Details and amount of major acquisition-related expenses

Advisory costs, etc.: 133 million yen

(4) Amount of goodwill to be recognized, reason for recognition, method of amortization, and period thereof

Not confirmed at this time.

(5) Amount of the acquired assets and liabilities assumed on the date of the business combination and breakdown thereof by major item

Not confirmed at this time.

(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 12, 2025.

1 Reason for purchase of treasury shares

The Company resolved to conduct share purchases to accelerate the initiatives toward the implementation of capital allocation, realization of desired balance sheets and an ROE of 8.0%, and early realization of a price book-value ratio (PBR) of 1.0 time or above; as set in the long-term management vision “NETUREN VISION 2030” formulated in May 2021 and the 16th Medium-term Management Plan “Aggressive Challenge One NETUREN 2026” announced on May 9, 2024.

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	2,700,000 shares (upper limit) (7.87% of issued and outstanding shares (excluding treasury shares))
(3)	Total cost for purchase	2,000,000,000 yen (upper limit)
(4)	Period	May 13, 2025 to March 31, 2026
(5)	Method of purchase	Purchases through off-action own share repurchase trading system (ToSTNeT-3) and market purchases on the Tokyo Stock Exchange

CORPORATE DATA

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Tel:+81-3-3443-5441
Fax:+81-3-3449-3969
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: 34,495,400 shares
Number of shareholders: 36,936

Number of Employees:
1,595(Consolidated)

(As of March 31, 2025)

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
Yoshiko Moriyama
Toyotsugu Ito

Standing Audit & Supervisory Board Member
Yoshihiro Ikegami

Outside Audit & Supervisory Board Member
Minoru Enjitsu
Kayoko Kamijo

Executive Officer
Norio Tanaka
Nobuhiro Murai
Naoki Hisada
Harunobu Nakamura
Hideo Mishima
Shin Okumura
Kyo Hosoda
Shigeru Ito
Hisashi Yoshimitsu
Kengo Iwanaga

(As of June 26, 2025)